TWIN-SET

SIMONA BARBIERI

Twin Set—Simona Barbieri S.p.A.

€150,000,000 Senior Secured Floating Rate Notes due 2019

NOTES

- Twin Set—Simona Barbieri S.p.A., a joint stock company established under the laws of the Republic of Italy (the "**Issuer**"), is offering €150,000,000 in aggregate principal amount of its Senior Secured Floating Rate Notes due 2019 (the "**Notes**").
- The Notes will bear interest at a rate equal to three-month EURIBOR plus 5.875% per annum, reset quarterly.
- The Issuer will pay interest on the Notes quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on October 15, 2014. The Notes will mature on July 15, 2019.

REDEMPTION AND REPURCHASE

- At any time prior to January 15, 2016 the Issuer will be entitled, at its option, to redeem all or a portion of the Notes upon not less than 30 nor more than 60 days' notice by paying a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the relevant "make-whole" premium.
- In addition, at any time prior to January 15, 2016, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings. At any time on or after January 15, 2016 the Issuer may redeem all or a portion of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**").
- Upon the occurrence of certain events constituting a change of control (other than a specified change of control), the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

RANKING AND SECURITY

- The Notes are senior obligations of the Issuer. The Notes will rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes.
- The Notes will be secured on a first-ranking basis by a pledge over all of the shares of the Issuer, certain intellectual property rights of the Issuer and by a pledge of the receivables in respect of the Subordinated Shareholder Loan (as defined herein) (the "**Collateral**"). See "*Description of the Notes*". The Collateral will also secure the obligations under our new €10,000,000 revolving credit facility (the "**Revolving Credit Facility**") and certain hedging obligations. In the event of an enforcement of the security over the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the Revolving Credit Facility and certain hedging obligations have been repaid in full. See "*Description of certain financing arrangements—Intercreditor Agreement*".
- The Collateral will be subject to legal and contractual limitations. See "*Risk factors—Risks Related to the Notes and the Collateral—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*". The Notes and the security interests over the Collateral will also be subject to restrictions on enforcement and other limitations under applicable laws and may be released under certain circumstances.

OFFERING

- This Offering Memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.
- Application has been made to the Luxembourg Stock Exchange in its capacity as market operator of the Euro MTF market under the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and to be listed on the Official List of the Luxembourg Stock Exchange upon their issuance. In addition, application has been made to Borsa Italiana S.p.A. for listing of the Notes on the ExtraMOT, Professional Segment, upon their issuance.
- Subject to and as set forth in "*Description of the notes—Additional amounts*", the Issuer will not be liable to pay any additional amounts to holders of the Notes in relation to any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) and otherwise in the circumstances as described in "*Description of the notes—Additional amounts*".
- References in this Offering Memorandum to Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to trading on the Euro MTF Market and are intended to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).
- This Offering Memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.
- This Offering Memorandum may be used only for the purposes for which it has been published.
- Nobody is authorised to give information other than that contained in the prospectus and the documents referred to therein and which are made available for inspection by the public.
- This Offering Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction where such offer or solicitation is unlawful. The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered only in transactions that are exempt from registration under the U.S. Securities Act or the securities laws of any other jurisdiction. Accordingly, the Issuer is offering the Notes only (i) to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) ("**QIBs**") in reliance on Rule 144A and (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. For a description of certain restrictions on the transfer of the Notes, see "*Plan of distribution*" and "*Notice to investors*".

Investing in the Notes involves a high degree of risk. See "*Risk factors*" beginning on page 24.

ISSUE PRICE: 99.000% PLUS ACCRUED INTEREST FROM THE ISSUE DATE

The Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**") on July 22, 2014.

The date of this Offering Memorandum is July 22, 2014.

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Important information about this Offering Memorandum

UBS Limited, Banca IMI S.p.A. and UniCredit Bank AG (the "**Initial Purchasers**"), the Trustee, the Security Agent, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent and the Paying Agent make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting this Offering Memorandum.

Except as provided below, we accept responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-entry, delivery and form*," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately extracting and summarizing the information concerning Euroclear and Clearstream, the Issuer does not accept further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer imply those things by delivering the Offering Memorandum or selling Notes to you. This Offering Memorandum supersedes any information in respect of the Issuer that was previously provided to prospective investors in the Notes. References to any website contained herein do not form a part of this Offering Memorandum.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers or the Trustee in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Issuer reserves the right to withdraw this offering of the Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

None of the U.S. Securities and Exchange Commission, any U.S. state securities commission or any non-U.S. securities authority or other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent, the Paying Agent or the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent, the Paying Agent or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by any of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent, the Paying Agent or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and each purchaser of the Notes must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of the Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions, including the United States and the United Kingdom, and to persons connected therewith. See "*Notice to investors*." We do not make any representation to you that the Notes are a legal investment for you.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum will be available on the website of the Luxembourg Stock Exchange.

STABILIZATION

IN CONNECTION WITH THIS OFFERING, UBS LIMITED (OR PERSONS ACTING ON BEHALF OF UBS LIMITED) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT UBS LIMITED (OR PERSONS ACTING ON BEHALF OF UBS LIMITED) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to investors in the United States

For this offering, the Issuer and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. *See "Notice to investors"*.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area. This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the offer to the public of any Notes which is the subject of this Offering contemplated by this Offering Memorandum is not being made and will not be made in that Relevant Member State, other than:

- to any legal entity which is a "qualified investor" as defined under the Prospective Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC (the Markets in Financial Instruments Directive); and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive, and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**").

Italy. No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Italian Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the "**Italian Financial Act**"). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons or to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Act and Article 34-*ter*, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999 as amended (the "**Issuers Regulation**") issued by the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") or unless in circumstances which are exempt from the rules on public offers pursuant to the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum, and no other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made as follows: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Italian Legislative Decree No 385 of September 1, 1993 as amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007 as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

Grand Duchy of Luxembourg. This Offering Memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which are not subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Forward-looking statements

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding the Issuer's and its subsidiaries (collectively, the "**Group**") future financial position and results of operations, their strategies, plans, objectives, goals and targets, future developments in the markets in which the Group participates or is seeking to participate or anticipated regulatory changes in the markets in which the Group operates or intends to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that its actual results of operations, including its financial condition and liquidity and the development of the industries in which the Group operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if the Group's results of operations, including its financial condition and liquidity and the development of the industry in which it operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- Our industry is highly competitive and our success depends on our ability to identify and respond to new and changing fashion trends and consumer preferences and our ability to maintain favorable brand recognition;
- Our business and the markets in which we operate are sensitive to overall economic conditions, and unfavorable economic conditions in Italy and other markets could result in a decline in the demand for our products;
- We depend on key personnel and certain members of our management;
- We are subject to certain risks related to our wholesale channel, including the risk that any of our third-party distributors, agents or wholesale purchasers may fail to adhere to our standards thereby compromising the image of our brand and the risk that we may not be able to retain or develop relationships with significant distributors;
- An inability to effectively find locations to expand our DOS (as defined below) network and to manage the associated investment and ongoing costs of this expansion could adversely affect our business;
- Our business and operations could suffer if we are unable to renew or replace our store leases, or if any of our current leases for our retail locations are terminated prior to their expiration and we cannot find suitable alternative locations;
- Our ability to attract customers to our stores may also depend on the success of town centers in which our stores are located, and any decrease in footfall at those town centers could adversely impact our revenue;
- We face certain risks in relation to developing our online sales platform;
- Our planned expansion into international markets may expose us to risks inherent to international business (including difficulties in enforcing our legal rights in certain foreign jurisdictions), any of which could affect our results of operations;
- We are exposed to risks in connection with joint ventures and other associated companies;
- We may be unable to manage our growing business activities;

- Sales of our products may be adversely affected by unfavorable weather and natural disasters;
- Our future growth and profitability could be adversely affected if our advertising and marketing programs are not effective in generating sufficient levels of customer awareness and traffic;
- We depend upon independent third parties for the manufacture of some of our products. Any failure by a manufacturer to ship goods promptly, or produce merchandise according to our specifications or operate in compliance with applicable laws could negatively affect our business;
- Fluctuations in the price or quality, or disruptions in the availability, of raw materials used in our products could cause us to incur increased costs, disrupt our manufacturing processes or prevent or delay us from meeting our customers' demands;
- Our operations are dependent on our headquarters and manufacturing facilities near Modena;
- We depend on a limited number of third-party facilities for the distribution of our products and shipping providers. Interruptions in distribution at any facility or any delay or failure in the delivery of our products could have a material adverse effect on our business;
- The public perception and reputation of our brands could be damaged if our raw materials suppliers or manufacturers of our products fail to comply with applicable labor laws or recognized ethical standards or other applicable laws, or if the public develops an impression that such violations are occurring;
- We are exposed to political and other business risks in our sourcing markets;
- We are exposed to credit risk related to our wholesale customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts;
- Our net sales and inventory levels fluctuate on a seasonal basis leaving our operating results particularly susceptible to changes in seasonal shopping patterns and related risks;
- Our business could be harmed if we fail to maintain proper inventory levels;
- Our operations may be interrupted or otherwise adversely affected as a result of failures in our IT systems;
- Changes in credit and debit card provider requirements or applicable regulations could adversely affect our business;
- We are exposed to currency-related risks;
- We are exposed to labor risks including rising labor costs and/ or work stoppages;
- We face a risk of theft or misappropriation of funds and products in our stores or in our warehouses, and face a risk of misappropriation of our customer data;
- Our expansion is dependent upon a number of factors, many of which could strain our resources or delay or prevent our successful expansion in new or existing markets;
- The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences;
- New or existing laws and regulations, or amendments thereto, may adversely affect our products or operations;
- We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS;
- Our insurance may be insufficient and, due to factors beyond our control or a claim by us, our insurance premiums may increase significantly, which may adversely affect our financial results; and
- We may become involved in litigation and arbitration proceedings.

The Group urges you to read the sections of this Offering Memorandum entitled "*Risk factors*", "*Management's discussion and analysis of financial condition and results of operations*", "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. The Group undertakes no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

Currency presentation and definitions

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**," "**USD**" and "**$**" are to the lawful currency of the United States of America.

DEFINITIONS

As used in this Offering Memorandum:

- "**Acquisition**" refers to the acquisition of Light Force by the Issuer (prior to the Merger) on July 25, 2012;
- "**Agreed Security Principles**" refers to the Agreed Security Principles as set out in an annex to the Revolving Credit Facility as in effect on the Issue Date, as applied reasonably and in good faith by the Issuer in respect of the Notes and the Collateral;
- "**CAGR**" refers to compound annual growth rate;
- "**Calculation Agent**" refers to The Bank of New York Mellon, London Branch;
- "**Capital Expenditure Line**" refers to the capital expenditure line of credit made available to the Issuer pursuant to the Amended and Restated Credit Agreement by and between the Issuer (formerly Fuori dal Sacco 2 S.r.l.) and UniCredit Bank AG, Milan Branch, which will be repaid using the proceeds from the issuance of the Notes;
- "**Carlyle**" refers to The Carlyle Group LP;
- "**CEP III**" refers to CEP III Participations S.à. r.l. SICAR, one of the shareholders of the Issuer;
- "**Collateral**" refers to the first-ranking pledge over the shares of the Issuer, certain intellectual property rights of the Issuer and the receivables in respect of the Subordinated Shareholder Loan, in each case securing the Notes and the Revolving Credit Facility;
- "**DOS**" refers to directly operated retail stores;
- "**Group**," "**us**," "**we**" and "**our**" refer to the Issuer and its consolidated subsidiaries, unless the context requires otherwise;
- "**EEA**" refers to the European Economic Area;
- "**EU**" refers to the European Union;
- "**Eurozone**" refers to the member states of the European Union participating in the European Monetary Union;
- "**GDP**" refers to gross domestic product;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;
- "**Indenture**" refers to the indenture governing the Notes to be dated on the Issue Date by and among, *inter alios*, the Issuer, the Security Agent, the Registrar, the Calculation Agent, the Transfer Agent, the Paying Agent and the Trustee;
- "**Intercreditor Agreement**" refers to the Intercreditor Agreement dated on the Issue Date among the Issuer, the Security Agent, the Trustee and the other parties thereto, as amended, restated, replaced or otherwise modified or varied from time to time in accordance with the Indenture;
- "**Issuer**" refers to Twin Set—Simona Barbieri S.p.A.;
- "**Italian Civil Code**" refers to the Italian civil code (*codice civile*), enacted by Italian Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented;
- "**Italian GAAP**" means the Italian law governing the preparation of consolidated financial statements, as interpreted and integrated by the accounting principles established by the Organismo Italiano di Contabilità—OIC;

- "**Jamping**" refers to Jamping S.r.l.;
- "**key money**" refers to the market practice of payments made by a retailer to a lessor or the previous occupant of a commercial real estate property in order to secure the commercial lease at a prime location;
- "**Light Force**" refers to Light Force S.r.l. which the Issuer acquired pursuant to the Acquisition and which was subsequently merged into the Issuer pursuant to the Merger;
- "**Liviana Conti**" refers to Liviana Conti S.r.l.;
- "**Merger**" refers to the merger of Light Force into the Issuer on December 30, 2012;
- "**Mo.Da**" refers to Mo.Da Gioielli S.r.l., a shareholder of the Issuer;
- "**Offering**" refers to the offering of the Notes pursuant to this Offering Memorandum;
- "**Permitted Reorganization**" refers to certain corporate reorganization transactions which the Issuer's shareholders may undertake in the future to insert a new direct holding company above the Issuer, including in connection with potential debt or equity capital market transactions. See "*Description of the Notes*";
- "**quotaholder**" refers to an entity holding a quota (i.e., membership interest) in a *società a responsibilità limitata* (S.r.l.)
- "**Revolving Credit Facility**" refers to the senior secured revolving credit facility providing for an initial committed facility of €10.0 million to be made available under the Revolving Credit Facility Agreement;
- "**Revolving Credit Facility Agreement**" is defined under "*Description of certain financing arrangements—Revolving Credit Facility"*;
- "**Security Agent**" refers to UniCredit Bank AG, Milan Branch, in its capacity as security agent and legal representative (*mandatario con rappresentanza*);
- "**Security Documents**" refers to any pledges, agreements and related documents that will be signed and entered into in connection with the granting of the Collateral to secure the obligations of the Issuer under the Notes offered hereby in accordance with the terms of the Indenture (see also "*Description of the Notes—Security*");
- "**Shareholders' Agreement**" refers to that certain agreement governing the relationship between Carlyle and Mo.Da as described under "*Principal shareholders—Shareholders' Agreement*";
- "**Subordinated Shareholder Loan**" refers to the loan from Mo.Da to the Issuer which, after giving effect to the Transactions, will have an outstanding balance of approximately €66.4 million (interest on the loan will capitalize prior to and following the Issue Date, increasing the outstanding balance);
- "**Term Loan A**" refers to the line of credit made available to the Issuer pursuant to the Amended and Restated Credit Agreement by and between the Issuer (formerly Fuori dal Sacco 2 S.r.l.) and UniCredit Bank AG, Milan Branch, which will be repaid using the proceeds from the issuance of the Notes;
- "**Total Net Cash**" is defined as cash and cash equivalents net of bank overdrafts;
- "**Transactions**" refers to the series of transactions as defined under "*Summary—The Transactions*;"
- "**Trustee**" refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*Mandatario con rappresentanza*) under the Indenture and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code;
- "**Twin Set Revenue**" refers to revenue from our consolidated financial statements excluding other revenue arising from the sales to third parties of raw materials not used for internal production and, for the year ended December 31, 2011, revenue arising from the Group's former Liviana Conti business unit;

- "**Twin Set Shoes**" refers to Twin Set—Shoes S.r.l.;
- "**VAT**" refers to value added tax; and
- "**white-list country**" refers to a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in Italian Ministerial Decree of September 4, 1996 and in the Italian Ministerial Decree to be issued as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986).

Presentation of financial information

GENERAL

This Offering Memorandum includes financial and other data for the Issuer and Light Force. The Issuer, which was converted from a limited liability company (*società a responsabilità limitata*) into a joint stock company (*società per azioni*) on July 9, 2014, was originally formed on June 15, 2012 in order to facilitate the Acquisition, and had no significant assets or liabilities and no operations prior to the Acquisition which was completed on July 25, 2012. Between July 25, 2012 and the completion of the Merger on December 30, 2012, the Issuer elected, according to exceptions to the consolidation rules provided by Italian GAAP, to not consolidate the financial data of Light Force in its accounts until the date of the Merger. As a result, we have included and primarily discussed in this Offering Memorandum the following (collectively, the "**Financial Statements**"):

- the unaudited interim consolidated financial statements of the Issuer and its subsidiaries as at March 31, 2014 and for the three months ended March 31, 2013 and 2014 prepared on a basis consistent with the Issuer's annual audited consolidated financial statements;
- the audited consolidated financial statements of the Issuer and its subsidiaries as at and for the year ended December 31, 2013;
- the audited consolidated financial statements of the Issuer as at and for the period from June 15, 2012 (its date of formation) to December 31, 2012 (the "**Issuer Period Financials**"). Because the Issuer did not consolidate Light Force until the completion of the Merger on December 30, 2012, the Issuer Period Financials only reflect the assets and liabilities of Light Force, the goodwill arising from the Acquisition, the indebtedness incurred by the Issuer in order to consummate the Acquisition and the associated interest expense and other costs. The operating results of Light Force are only reflected in the Issuer Period Financials for December 31, 2012, the calendar day immediately following the Merger and consolidation;
- the audited consolidated financial statements of Light Force for the period from January 1, 2012 to December 30, 2012 (the date of the Merger) (the "**Light Force Period Financials**"); and
- the audited consolidated financial statements of Light Force as at and for the year ended December 31, 2011.

All financial information was prepared in accordance with Italian GAAP.

The summary financial information for the twelve months ended March 31, 2014 is calculated by taking the results of operations for the three months ended March 31, 2014 and adding to it the difference between the results of operations for the full year ended December 31, 2013 and the three months ended March 31, 2013 (the "**LTM**"). The financial information for the three and twelve months ended March 31, 2014 is not necessarily indicative of the results that may be expected for the year ended December 31, 2014, and should not be used as the basis for or prediction of an annualized calculation. For further information please refer to "*Management's discussion and analysis of financial condition and results of operations*". Historical results are not necessarily indicative of future performance or results of operations, and the financial information and other data for the three months and twelve months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2014, or any future period and should not be used as a basis for or prediction of an annualized calculation.

The Financial Statements have been prepared in accordance with Italian laws governing the preparation of consolidated financial statements, as interpreted and integrated by the accounting principles established by the *Organismo Italiano di Contabilità*—OIC ("**Italian GAAP**"). Unless otherwise indicated, all financial information contained in this Offering Memorandum has been prepared in accordance with Italian GAAP. We have, however, condensed and renamed certain Italian GAAP line items in a manner that makes them more easily comparable to financial information not prepared in accordance with Italian GAAP. Italian GAAP differs in certain respects from IFRS. For a discussion of the differences between Italian GAAP and IFRS see "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*".

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 functions 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 cost of sales (for example) the costs of distribution or administrative activities. Profit, however, is unaffected regardless of whether the nature of expense or cost of sales method is chosen.

The information in this Offering Memorandum relating to the revenue generated by geographic area, sales channel and product line are based on the financial information management uses to monitor the performance of the business. In no case has such information been prepared in accordance with Italian GAAP or any other accounting principles. Additionally, the information provided by geographic area differs from the geographic segment information provided in the Financial Statements. Furthermore, in determining the revenue by geographic area the company considers the location of the customer and/or end-user as opposed to the location of the legal entity that booked the sale. In the future we may present our consolidated financial statements in accordance with IFRS, pursuant to which we may be required to present segment information. The segment information that we may be required to present in accordance with IFRS may differ from the information by business activity provided. Management believes that the information by business activity and geographic area provided is useful in understanding the underlying trends of the different business activities.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or in thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

Historically, we have prepared our consolidated financial statements in accordance with Italian GAAP. We may adopt IFRS for our consolidated financial statements in future years. In the event that we adopt IFRS, the Indenture requires us to report according to such standards, and the covenant calculations will be based on the relevant standards. Because there are significant differences between Italian GAAP and IFRS, if we were to prepare our financial statements on the basis of IFRS instead of Italian GAAP, there could be substantial differences in our results of operations, cash flows and financial position, including levels of indebtedness. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards we adopt. See "*Annex A: Summary of certain differences between Italian GAAP as compared to IFRS*", "*Risk Factors—Risks related to our business—We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS*" and "*Description of the Notes*".

The audited consolidated financial statements contained in the F-Pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between Italian GAAP and IFRS and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, Italian GAAP principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of the prior periods.

NON-GAAP FINANCIAL MEASURES

In this Offering Memorandum, we present certain non-Italian GAAP measures, including Reported EBITDA, Adjusted EBITDA, EBITDAR, Adjusted EBITDAR, Reported EBITDA Margin, Adjusted EBITDA Margin, like-for-like revenue performance, average like-for-like sales growth, net financial indebtedness, net leverage and operating working capital. See "*Management's discussion and analysis of financial condition and results of operations*" for additional, qualitative information regarding these measures and reconciliation to the most directly comparable GAAP measure.

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

"Adjusted EBITDA" is defined as Reported EBITDA adjusted for non-recurring items including, raw materials, non-recurring accrurals, other items and the Reported EBITDA of previously-consolidated entities.

We define "EBITDAR" as Reported EBITDA adjusted for rent expenses.

"Adjusted EBITDAR" is defined as Adjusted EBITDA further adjusted for rent expenses.

We define "Reported EBITDA Margin" as Reported EBITDA divided by Twin Set Revenue.

"Adjusted EBITDA Margin" is defined as Adjusted EBITDA divided by Twin Set Revenue.

We define "like-for-like revenue performance" as retail sales from like-for-like points of sale in any given period compared with the same period in the previous financial period, shown as a percentage change between the two periods. Like-for-like points of sale include all our points of sale that were in operation for at least ten months and were open in both periods. "Like-for-like" excludes points of sale closed during each period, including stores temporarily closed for refurbishment. Retail sales consist of total retail sales generated in our points of sale net of rebates and discounts, and before the deduction of VAT and other sales taxes, and concession fees paid to department stores. The criteria for determination applied by us might not be the same as that adopted by other companies and, therefore, the figures presented by us might not be comparable with those presented by other companies.

We define "average like-for-like sales growth" as the sum of "like-for-like" sales growth for each year of a period, divided by the number of years included in the period.

"Net Financial Indebtedness" is defined as bank loans minus Total Net Cash.

"Net Leverage" is defined as Net Financial Indebtedness divided by Adjusted Reported EBITDA.

We define "Operating Working Capital" as inventories and trade receivables net of trade payables.

The non-Italian GAAP financial measures mentioned above and used in this Offering Memorandum are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. We believe that these non-Italian GAAP financial measures are useful in evaluating the Issuer's financial performance and results of operations because they are commonly used in our industry. You should exercise caution in comparing any of the non-Italian GAAP financial measures mentioned above or used in this Offering Memorandum as reported by us to the non-Italian GAAP financial measures of other companies. The information presented by each of the non-Italian GAAP measures mentioned in this Offering Memorandum is unaudited and has not been prepared in accordance with Italian GAAP or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

None of Reported EBITDA, EBITDAR, Adjusted EBITDA, Adjusted EBITDAR, Reported EBITDA Margin or Adjusted EBITDA Margin is a measurement of performance under Italian GAAP and you should not consider any of them as an alternative to net income or operating profit determined in accordance with Italian GAAP, as the case may be, or to cash flows from operations, investing activities or financing activities. These measures have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect any cash income taxes that we may be required to pay;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and Reported EBITDA and Reported EBITDA Margin do not reflect any cash requirements that would be required for such replacements; and
- the definition and the calculation methodology applied by us in calculating Reported EBITDA and Reported EBITDA Margin might differ from the generally accepted definition of Reported EBITDA and Reported EBITDA Margin in other countries and from the calculation methodology applied by other companies in our industry. This might limit their usefulness as comparative measures.

OTHER DATA

Certain numerical figures contained in this Offering Memorandum, including financial information and certain operating data, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

Industry and market data

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information, independent industry publications and reports prepared by trade associations and industry consultants. In addition to the foregoing, certain information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum was estimated or derived based on assumptions we deem reasonable and from our own research, surveys or studies conducted by third parties, including trade associations and other industry or general publications. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that each of these studies and publications is reliable, neither we nor the Initial Purchasers have independently verified such data and cannot guarantee their accuracy or completeness.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market related analyses and estimates, requiring us to rely on our own internally developed estimates regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants based on our experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. None of the Issuer, the Group or the Initial Purchasers can assure you of the accuracy and completeness of, or take any responsibility for, such data. Similarly, while we believe our internal estimates to be reasonable, these estimates have not been verified by any independent sources and neither we nor the Initial Purchasers can assure you as to their accuracy or the accuracy of the underlying assumptions used to estimate such data. Unless otherwise indicated, data on our market position and market share is based on revenue for the year ended December 31, 2013. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk factors*", "*Industry*" and "*Business*" for further discussion.

Summary

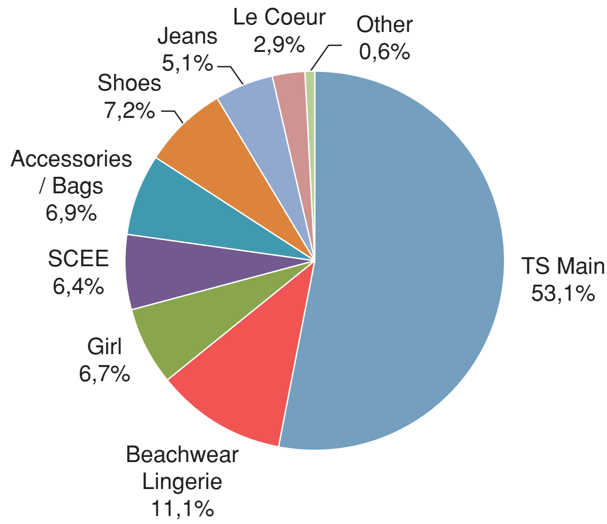
This summary highlights selected information about the Issuer, the Group and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the financial statements of the Issuer and the related notes therein. You should read this Offering Memorandum carefully in its entirety, including the sections entitled "*Risk factors*", "*Management's discussion and analysis of financial condition and results of operations*", "*Industry*" and "*Business*", as well as our historical financial information and the notes thereto included elsewhere in this Offering Memorandum.

OVERVIEW

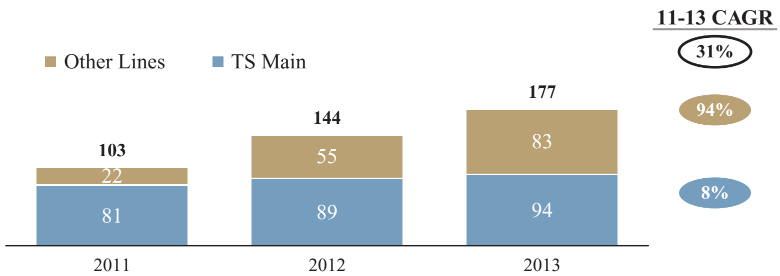
We are a fast-growing women's clothing brand focused on the affordable luxury segment of the women's apparel market. We sell a comprehensive range of quality products sold to our customers through our retail and wholesale distribution channels. Our product range is comprised of high-quality, contemporary womenswear with on-trend designs that reflect a classic, romantic, contemporary attitude and is 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 attributes 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 relevant complementary 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 eight 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, currently to girls aged 6-16, with plans to expand the line to girls aged six down to infants in late 2014. 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 offering portfolio as awareness of our brand increased and customers began looking to Twin Set to satisfy all of their fashion needs. The following charts show the percentage breakdown of Twin Set Revenue for the year ended December 31, 2013 by product line (top) and the split of sales between Twin Set Main and all other product lines between 2011 and 2013 (bottom).

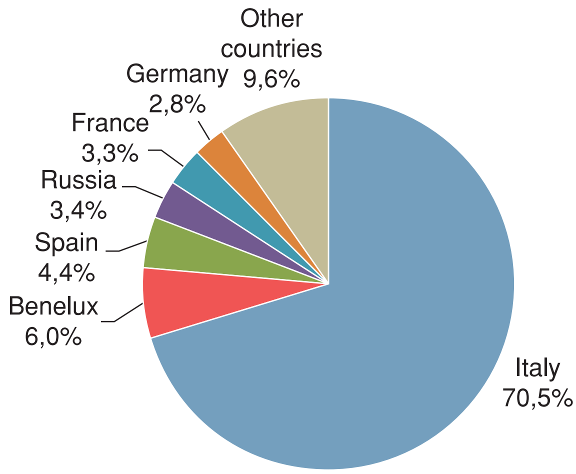


Total Twin Set Revenue by product line (€m)

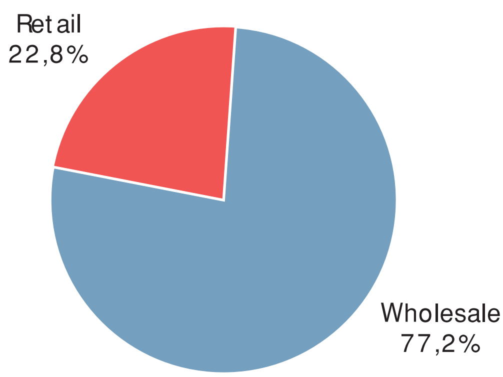


The affordable luxury segment of the women's apparel market is positioned between the luxury and mass-market apparel segments and is characterized by a combination of distinctive style, design, high-quality products and affordable price points. This segment has flourished in the competitive apparel market in recent years by addressing the needs of a wider customer base. As traditional luxury apparel brands gradually shift towards the ultra-luxury category, we believe that affordable luxury players are well-positioned to attract customers who are unwilling to pay the higher prices that typically result from this upward shift. According to a leading third-party management consultancy, the use of traditional luxury features such as aspirational advertising and distinctive retail store concepts has helped affordable luxury players gain market share. We believe that due to its more affluent core customer base, the affordable luxury segment is less sensitive to economic fluctuations than the mass-market segment. This is evidenced by continued affordable luxury segment growth in recent years despite overall economic sluggishness in Europe and, in particular, Italy. For example, according to a leading third-party management consultancy, the general European apparel market grew at a CAGR of 2.3% between 2009 and 2013 while, during the same period, the European affordable luxury apparel market segment grew at a CAGR of 4.1%. A part of this resiliency is owed to the fact that when compared to the mass-market segment, the affordable luxury segment typically has higher margins, making it less vulnerable to movements in raw material prices and cost inflation.

We believe the strength of the market in which we operate combined with a unique value proposition has accounted for our historically strong financial performance. In the twelve months ended March 31, 2014, we generated Twin Set Revenue of €188.9 million, Adjusted EBITDA of €42.6 million and an Adjusted EBITDA Margin of 22.5%. From 2011 to 2013 we increased Twin Set Revenue at a compound annual growth rate ("**CAGR**") of 31.2%. While we have a strong Italian heritage and the Italian operations of our company contributed approximately 70% of Twin Set Revenue in the year ended December 31, 2013, we have successfully established an international presence with approximately 30% of our Twin Set Revenue in any given year from 2011 to 2013 coming from abroad. The focus of our expansion is other European markets, with the bulk of our international sales coming from Spain, France, Benelux, Germany and Russia. We also have a modest wholesale presence in Asia, where we aim to continue our disciplined international expansion. The following chart shows the percentage breakdown of Twin Set Revenue for the year ended December 31, 2013 by country.



We sell our products through a combination of sales channels. We operate an extensive wholesale channel built around a strong network of independent sales agents. At the conclusion of the 2014 fall/winter order campaign, our products were sold through 4,965 wholesale points-of-sale, or "doors." This strong and extensive wholesale channel accounted for 77.2% of our total sales for the twelve months ended March 31, 2014. As of March 31, 2014, we operated forty retail locations (30 directly-operated stores, or DOS, and 10 outlets). For the twelve months ended March 31, 2014, this retail channel accounted for 22.8% of our total sales. We primarily locate our DOS in premium locations such as Via Manzoni in Milan, Via del Corso in Rome and Rue du Vieux-Colombier in Paris. In the near-to-medium term, we plan on selectively expanding our retail channel into new markets where we already have in-roads through our wholesale presence, including our primary target markets of Spain, France, Germany, Benelux, Russia and China. We believe this selective international expansion of our retail channel will be key to developing our brand strength, and we therefore intend to target the most prestigious locations in these countries' most fashion-forward cities. As of March 31, 2014, we have signed contracts to open stores in, among other cities, Moscow, Barcelona, Palma, Paris, Munich and Berlin. In the coming years, we believe that our retail roll-out will result in opening between 20 and 25 retail locations per year. We believe our expansion into the retail channel has been highly successful, as evidenced by a growth in like-for-like revenue performance of 12% in the three months ended March 31, 2014, compared to the three months ended March 31, 2013. The following chart shows the percentage breakdown of Twin Set Revenue by channel for the twelve months ended March 31, 2014.



Our growing network of DOS is becoming an increasingly important advertising medium for our brand. We, therefore, strive to maintain a high-end, luxury-like retail experience in our DOS at affordable prices to target the typical affordable luxury customer. Accordingly, we operate a 100% assisted sales model with personalized service that creates a luxury-like shopping experience for customers. In addition, in order to place an emphasis on personalized advice rather than self-service, we only display two to three sizes per item. Moreover, the number of sales people in each store is determined based on target store sales and store size to ensure optimal customer service. We carefully select and train our sales assistants and have a performance-driven compensation structure with a variable component based on sales.

OUR STRENGTHS

We believe we have the following competitive strengths:

We are strongly-positioned in the fast-growing and resilient affordable luxury apparel market segment.

We have established a strong position in the affordable luxury segment of the women's apparel market, which has generally outperformed the broader apparel market in recent years. According to a leading third-party management consultancy, the affordable luxury apparel segment in Europe grew at a CAGR of 4.1% from 2009 to 2013 whereas, during the same time, the broader European apparel market in Europe grew at a CAGR of 2.3%. We have solidly positioned ourselves in the affordable-luxury segment by consciously creating a brand that combines the best elements of both the luxury and mass-market apparel segments—a brand with a style proposition that, while luxurious and contemporary, remains accessible. For example, like the luxury segment, our products are characterized by high-quality materials, innovative designs and high-end details. However, we offer products at price points accessible to a broader consumer base with designs that are contemporary and innovative, while at the same time suitable for everyday life.

We believe that our Italian heritage and our success in the Italian market reinforce the luxury proposition of our brand. We believe Italian apparel companies are synonymous with high-quality, luxury apparel and that having our roots in a country with a strong and resilient luxury apparel market reinforces our brand. We have achieved success in the Italian market not as a "fast fashion" retailer, but as a company focused on fashionable but classic looks. We believe that our success in the robust Italian luxury apparel market has increased our brand awareness given the presence in this market of some of the world's most iconic and immediately recognizable luxury fashion brands. This increased awareness enables us to pursue low-risk retail growth opportunities, in Italy and internationally, where our target customers have already heard of our brand and have experienced it thanks to our extensive wholesale network.

We believe that our international growth, like our historical growth in Italy, will follow closely on the heels of an expanding affordable luxury apparel market segment. Many growing international markets are countries where we already have a wholesale presence or plans for future expansion. A major third-party market consultancy expects strong consumer confidence growth through 2015 in the majority of our European markets, and we believe this should support the growth of the affordable luxury segment on pace with, or better than, what has been experienced in the recent past. To best exploit this trend, we have plans to open DOS in Paris, Berlin and Munich.

The apparel market in Russia grew at a CAGR of 14% from 2009 to 2013. We recognize the growth potential of this market and plan to build out our retail presence there starting with three DOS in 2014, with additional store openings to follow in the coming years. In addition, we view China and Hong Kong as appealing future markets and as such, have conducted a comprehensive market analysis and developed a business plan in preparation for a more fully-developed retail strategy.

Given the rapid growth of our brand in Italy and the rest of Europe, we are well-positioned to take advantage of growing apparel markets elsewhere.

We are a growing brand with a "total look" product offering and well-defined customer proposition.

We believe that our ability to outperform our competitors in the affordable luxury segment in recent years is due to the successful branding of Twin Set as a producer of high-quality, contemporary clothing and accessories for sophisticated, fashion-conscious women. Our creative designs, premium quality products, upscale marketing campaigns and high-end retail experience have built an image that would typically be associated with luxury brands. Our accessible designs and lower prices enable us to access and communicate our brand to a broad customer base.

We believe that a key driver of our brand affinity and growth with this customer base has been the expansion of our product lines across apparel categories to offer our customers a "total look" proposition. We began with our iconic knitwear products and leveraged their success to build the Twin

Set Main product line. Thereafter, we began launching product lines intended to complement the Twin Set Main line in order to be able to provide a "total look". Since 2011, we have launched each of the Jeans, Bags/Accessories, Shoes and Beachwear/Lingerie product lines. These newly introduced lines have together grown at a CAGR of 114% between 2011 and 2013. Our goal with these product lines is to integrate new fashion trends while maintaining key brand elements that we believe create enduring demand. Our wide variety of high-quality and stylistically-cohesive products offers our customers the opportunity to wear Twin Set from head to toe and for any occasion—the "total look".

Our business model provides us with a strong degree of operating flexibility.

We employ best practices across all our key business activities. Specifically, our business model is characterized by: (i) style and prototype development carried out by our in-house design department and overseen by creative director Simona Barbieri; (ii) production that is efficiently balanced between in-house and out-sourced elements; and (iii) streamlined inventory management.

Our Creative Director and co-founder, Simona Barbieri, personally oversees the design and development process to ensure stylistic harmony. The design of our collections and pre-collections is a time-intensive process carried out by our team of more than 12 in-house designers and more than 47 total design team staff. These designs are then used during the development and production of the prototypes that serve as the models for the production of the collections. Prototype development is carried out in-house to ensure quality and the timely start of our sales campaigns. As the prototypes are used as samples for our manufacturers, we believe that well-crafted prototypes are key to producing high-quality, wearable products. This well-controlled and centrally-managed design and development process, along with the fact that we produce multiple collections during the year, helps minimize the risk that a design will deviate from the style our customers expect, or that one collection will fail to meet expectations.

We use a flexible production process featuring a strategic combination of in-house and outsourced elements. Approximately 30% of our production occurs in-house, where we have complete control over quality, fit and execution. This balance of in-house production and outsourcing allows us to control production of high-value or complicated pieces and outsource production of more routine pieces, thereby controling costs while still maximizing the quality of our high-value items. This is a key element of our brand strategy.

Our efficient inventory management enables us to optimize working capital levels and is a key component of our business model. The predominance of our wholesale business greatly minimizes inventory risks, because wholesale orders are placed approximately six months in advance of the applicable selling season. This allows us to effectively plan production and inventory levels. We aim to keep limited stock at the store level and we monitor inventory levels closely so that stocks are replenished based on customer demand. This tight and efficient inventory management at the store level limits overstocking risk and also creates a perception or sense of scarcity and exclusivity. Additionally, our outlets provide us an effective destocking and inventory management channel for any excess stock. We are also in the process of upgrading our IT system, which we believe will allow us to centralize product and sales information (including inventory, orders and sales), actively monitor and manage performance and manage our inventory even more efficiently.

Our multiple distribution channels provide revenue stability.

We sell our products through (i) our extensive wholesale channel and (ii) our retail channel, which consists of a mix of DOS in premium locations, outlet stores and online sales. For the twelve months ended March 31, 2014, the wholesale and retail channels accounted for 77.2% and 22.8% of our total sales, respectively.

We have an extensive wholesale channel consisting of agents and distributors that operate in five different continents and with who we have strong relationships. As of the conclusion of the 2014 fall/winter order campaign our products were available in 4,965 wholesale doors worldwide (2,877 in Italy). In our core geographies we sell primarily through agents, which we believe offers us more control over the end customer and how our brand is communicated versus marginal markets where we typically focus our sales through our distributors. Our creative and commercial teams spend significant time educating agents and distributors on the new collections and the recommended combinations of products (i.e., "looks") and minimum orders necessary to achieve the "total look" proposition. Our wholesale orders are usually placed approximately six months in advance of the applicable selling season, providing us with high revenue visibility. Moreover, we regularly have an order-to-sales conversion rate (the percentage of an initial order that is successfully sold to the end customer without cancellation or return) of above 95%. Additionally, we do not deliver new collections to our distributors or end buyers until they have fully paid for the previous collection. Our wholesale channel requires limited fixed infrastructure, generates strong cash flows and serves an important role in providing access to markets on a relatively low-risk basis, thereby allowing us to keep a flexible, low-cost structure.

We believe our multi-faceted retail channel provides repeated exposure to potential customers in order to create multiple sales opportunities.

- Our DOS are located in premium locations in major Western European cities (including in via Manzoni in Milan, via del Corso in Rome and Rue du Vieux-Colombier in Paris) that reinforce the luxury status of our brand. We are disciplined in choosing the right locations and are aided in doing so by our extensive wholesale presence, which helps us assess the potential retail viability of a location before we invest in opening a store by giving us a sense of the demand for our products in any given area. This creates a low-risk expansion strategy. Moreover, we believe our retail points of sale have a short pay-back period. For example, of the seven stores we have opened since 2009 and which have been in operation for at least 3 years, all but one returned its initial investment within three to four years. Based on this historical track record, we believe we may be able to maintain a similarly short pay-back period for stores opened in 2011 and thereafter. We have dedicated teams for managing store roll-out, planning and lease negotiation and for store construction and furnishing. Our DOS are an important communication channel with consumers and through them we maintain what we believe is a unique retail experience to reinforce the Twin Set brand in our customers' minds. We have a successful established store format which will be used across all expansion sites because we believe that a consistent, uniform message reinforces our brand communication.
- Our outlets provide a hedge against over-production and fashion risk by giving us a second opportunity to sell slower-moving products at reduced prices but with attractive margins.
- All of our stores are leased and our individual retail locations do not present high levels of Reported EBITDA concentration.
- In addition, our online and mobile presence reinforces our brand and provides a complimentary base to our retail business. In 2009, we launched our online store and in 2013 we redesigned our website experience to match the luxury and contemporary aesthetic of our DOS. We believe that our online store has high-growth potential.

We have achieved strong financial performance and resilient cash flow generation with limited capital expenditures.

We have demonstrated our ability to grow our business not only in terms of revenue, but also in terms of Adjusted EBITDA. Between 2011 and 2013, Twin Set Revenue grew from €103.3 million to €177.3 million, representing a CAGR of 31.2%. Our average like-for-like revenue performance growth in 2011, 2012 and 2013 was approximately 6.5%. Our Adjusted EBITDA during this period grew from €25.7 million in 2011 to €40.2 million in 2013, representing a CAGR of 25.0%. We intend to continue to optimize our operations and further leverage our fixed cost base.

Our capital expenditures are mainly related to our store roll-out strategy and are therefore largely discretionary. Approximately 73% of our stores have been open for less than three years and so require limited maintenance capital expenditures. In the fiscal year ended December 31, 2013, we invested €3.4 million in the restyling and renovation of our network of stores and we therefore expect to have limited refurbishment costs going forward.

After giving effect to the Transactions, we expect to have approximately €31.6 million cash on our balance sheet and access to up to €10.0 million under our Revolving Credit Facility, which will provide us with a strong liquidity position and the ability to support our operations going forward, including the disciplined expansion of our retail channel. See "*Use of proceeds*" for more information.

We have a highly experienced management team that combines creative and design talent with proven operating credentials.

We have an experienced and proven executive management team led by our co-founders Tiziano Sgarbi and Simona Barbieri, who together continue to own 28% of our business and provide it with consistent leadership both at the management level and within the design function. Both Mr. Sgarbi and Mrs. Barbieri have more than 20 years' experience in the fashion industry. Since the beginning of our partnership with Carlyle, who was added as a partner with the deliberate intention of providing retail and international expansion experience, we have reinforced our top management with professionals who have an average of approximately 20 years of experience working for some of the biggest companies in the fashion retail industry. Our Commercial Director Genis Ganassi, joined Twin Set in October 2012 and previously worked in marketing and sales with Max Mara, Furla, Mandarina Duck and Jil Sander. Our Chief Financial Officer, Paolo Matteini, joined Twin Set in May 2014 and has over 20 years of finance experience in financial roles with GE, Bristol-Myers Squibb, De Cecco and Miroglio. Over the past three years our management team has successfully expanded our retail channel, grown net sales in a challenging macro-economic environment and broadened our product lines. Importantly, our top management team is supported by a wider group of other talented managers that are incentivized by performance-based bonuses.

OUR STRATEGY

Continue to consolidate our strong position in the attractive affordable luxury market segment across target geographies.

We intend to continue to consolidate our strong position as one of the leading European designers, manufacturers and retailers in the attractive affordable luxury segment of the women's apparel market. We believe that we are well-placed to continue to develop and grow our business due to our established and successful business model, which focuses on quality product offerings, sophisticated design content, high quality fabrics, superior fit and the distinct shopping experience offered by our DOS. In addition, we believe we are a key player in driving trends in the affordable luxury segment, for example by offering high-end shoe and handbag lines at lower price points than similar products offered by competitors in the luxury segment. By continuing to design stylish, fashionable and high-quality clothing for our target market at attractive and affordable price points, we expect to continue to strengthen our position as a leading participant and trend-setter in the affordable luxury market segment.

Continue to deliver strong growth.

We have historically been one of the fastest-growing participants in the affordable luxury segment of the women's apparel market in Europe. From 2008 to 2013, our revenue grew at a CAGR of 36%. Although we do not have plans to add new product lines, we intend to continue to deliver strong growth by continuing to expand the offerings within our existing product lines, thereby extending our range of fashionable, attractive clothes, shoes and accessories at attractive prices. We also plan to continue to invest in developing our brand through increased marketing and advertising efforts, as well as to further improve our customer relationship management systems and focus on training our sales force.

Continue to selectively expand our diversified distribution network with a focus on retail and international expansion.

We have an extensive and diversified distribution network comprised of a large wholesale channel, an expanding retail footprint and a growing online presence. We intend to selectively expand this distribution network, principally by further optimizing our wholesale network across current geographies and by continuing to selectively expand our retail footprint, mostly in markets outside of Italy such as Spain, France, Germany, Benelux, Russia and China.

With respect to our wholesale channel, we intend to remain focused on distribution through high-quality multi-brand doors. Within Italy, our home market, we believe we already have strong penetration among quality wholesale doors and our focus going forward will be on increasing sales by leveraging existing product lines. In our international markets, our focus will be on developing our already visible presence, increasing brand awareness and capturing growth across all product lines. For example, in Germany we recently upgraded our agent network in order to target higher quality doors and reinforce our brand image.

In the retail channel, we intend to continue successfully rolling out new DOS. Within Italy, where we already have DOS located in nearly all of the first-tier locations in the country, our expansion will focus on selected expansion into second-tier cities. Internationally, our focus will be on growing our retail presence by targeting fashion-forward cities for new store openings within geographies where we already have a customer following and brand recognition through the wholesale channel. Target locations include cities like Paris, Barcelona, Moscow and Berlin. In markets with high barriers to entry, we plan on entering into joint ventures and similar relationships with leading local market participants. See "—*Recent developments*" for more details on signed lease contracts for scheduled 2014 openings. In Russia we have entered into a joint venture with an experienced local operator and intend to open three stores in 2014.

We also intend to expand our online presence. As such, we have recently completed the upgrading of our online platform, including the introduction of a mobile website and a more extensive suite of payment options. This platform is easily scaleable and can therefore be introduced into new markets as needed in order to support and complement our other distribution channels. We see our online presence in the future as an important element in developing our brand image and recognition worldwide and will seek to provide improved online capabilities and functions to our customers to enhance their shopping experience and to generate additional sales.

Continue to generate strong cash flows to reduce financial leverage.

We have a strong record of cash flow generation and have historically used our excess cash flow to reinvest in the expansion and growth of our business, while consistently maintaining net financial indebtedness to Reported EBITDA leverage of less than 2.5x. We intend to continue to generate strong cash flows by increasing revenue and continuing to actively manage our margins, capital expenditures and working capital, thereby increasing Reported EBITDA and reducing leverage. We aim to maintain Net Leverage of less than 3.0x.

RECENT DEVELOPMENTS

Based on our unaudited management accounts and information currently available, we estimate that our results for the months of April and May in 2014 will be in line with the trends observed in the first quarter of 2013. In particular, we expect that our revenue and like-for-like revenue performance will show continued growth in the first five months of 2014 compared to the corresponding period in 2013. These results have been driven by sales growth distributed across both our domestic and international markets and supported by the opening of five new retail points of sales since the end of the first quarter of 2014, including two new DOS in Paris, new DOS in Palermo and Lyon and a new outlet in Maasmechelen, Belgium. With these new stores, our total network currently consists of 34 DOS and 11 outlets. As of the date of this Offering Memorandum, we have signed lease contracts and non-binding letters of intent for the opening of several additional retail locations.

Our actual consolidated Italian GAAP results for April and May of 2014 and for the entire second quarter may differ from these preliminary indications and remain subject to change and completion. Our interim results are not necessarily indicative of the results that may be expected for any other period or for the full year. See "*Forward-looking statements*" and "*Risk factors*".

THE TRANSACTIONS

After deduction of commissions and expenses, the net proceeds from the issue of the Notes have been €142.5 million. We intend to use €117.5 million of the net proceeds from the issue of the Notes for: (i) the repayment of certain bank loans (€77.5 million); (ii) the partial repayment of the Subordinated Shareholder Loan (€12.2 million); and (iii) the payment of a distribution to the Issuer's shareholders (€27.8 million). In addition, €25.0 million will be available to the Group for general corporate purposes. On the Issue Date, the Issuer will enter into the Revolving Credit Facility with the Initial Purchasers or certain of their affiliates, which will provide for up to €10.0 million in revolving credit facilities. The Revolving Credit Facility will be undrawn at the closing of the Offering of the Notes. Subsequent to the issuance of the Notes, we expect to use internally generated cash flows and cash on hand to fund our retail expansion, while still maintaining approximately €20.0 million of cash on our balance sheet for liquidity purposes. For additional information, see "*Use of proceeds*", "*Forward-*

looking statements", "*Description of certain financing arrangements*", "*Description of the notes*" and "*Management's discussion and analysis of financial condition and results of operations*".

OUR SHAREHOLDERS

The Carlyle Group LP

Funds formed and managed by Carlyle hold 72.0% of our equity interests. Founded in 1987, Carlyle is a global alternative asset manager and one of the world's largest global private equity firms with approximately $176 billion of assets under management across 118 funds and 100 fund of funds vehicles as of December 2013. Carlyle invests across four segments—Corporate Private Equity, Real Assets, Global Market Strategies and Fund of Funds Solutions—in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including aerospace, defense and government services, consumer and retail, energy, financial services, healthcare, industrials and transportation, technology and business services, telecommunications and media and transportation. Carlyle employs more than 1,500 employees, including approximately 700 investment professionals, in 34 offices on six continents. Carlyle's investment in the Issuer is made through its European Buyout fund, Carlyle Europe Partner III LP, which has approximately €5.4 billion under management. See "*Principal shareholders*".

Mo.Da Gioielli S.r.l.

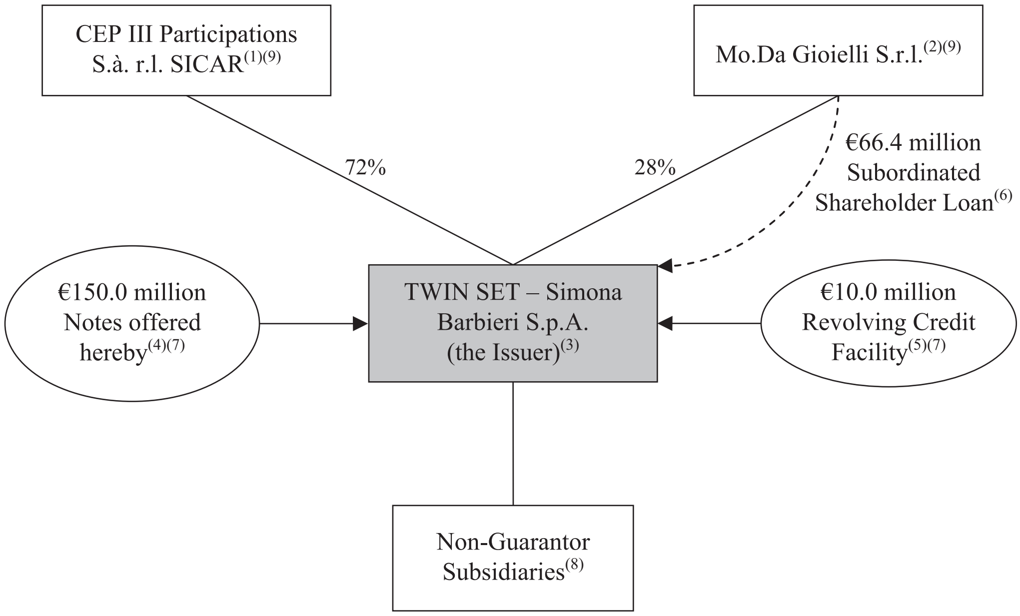
Mo.Da holds 28.0% of our equity interests. Mo.Da is owned and controlled by Mr. Tiziano Sgarbi and Mrs. Simona Barbieri, our CEO and Creative Director, respectively. Mr. Sgarbi and Mrs. Barbieri were the original founders of our business, and are still heavily involved in the design of our products and our day-to-day management and operations.

ISSUER INFORMATION

The Issuer was converted from a limited liability company (*società a responsabilità limitata*) into a joint stock company (*società per azioni*) under the laws of the Republic of Italy on July 9, 2014, and is registered under number 07889180969 with the Register of Companies of Modena (*Registro delle Imprese di Modena*) with registered office at Via Della Chimica, 21, 41012 Carpi (Modena), Italy, and its telephone number is +39 059 6257 511. The Issuer's incorporation will terminate on December 31, 2030, subject to certain amendments being made to its by-laws to extend the period of its incorporation. As of the date of this Offering Memorandum, the Issuer had a fully paid-up share capital of €522,400 consisting of 376,128 class A shares held by CEP III and 146,272 class B shares held by Mo.Da each with a nominal value of € 1.00.

Corporate structure and certain financing arrangements

The following diagram reflects a simplified summary of our corporate structure and our principal indebtedness on an adjusted basis after giving effect to the Offering and the use of the proceeds thereof. The diagram does not include all entities in the Group, nor all of the debt obligations thereof. For further information, see note 3 to our consolidated financial statements for 2013, "*Use of proceeds*", "*Capitalization*", "*Description of certain financing arrangements*" and "*Description of the Notes*".



(1) CEP III Participations S.à. r.l. SICAR is wholly-owned by The Carlyle Group LP. See "*Principal shareholders*".

(2) Mo.Da Gioielli S.r.l. is owned by the Issuer's Co-Founders Simona Barbieri and Tiziano Sgarbi. See "*Principal shareholders*".

(3) The Issuer was incorporated on June 15, 2012 in connection with the Acquisition and was converted into a *società per azioni* on July 9, 2014 in connection with the Offering. For and as of the twelve months ended March 31, 2014, the Issuer generated 99% of our consolidated revenue and 101% of our consolidated Adjusted EBITDA and represented 97% of our total assets.

(4) The Notes will be senior secured obligations of the Issuer. As of March 31, 2014, and after giving effect to the Transactions, the Issuer would have had €5.2 million of indebtedness in addition to the Notes. Such indebtedness is unsecured.

(5) The Revolving Credit Facility, which will not be guaranteed by any subsidiary of the Issuer, is for a committed amount of €10.0 million and is expected to be undrawn on the Issue Date.

(6) The Subordinated Shareholder Loan was made by Mo.Da to the Issuer in connection with the Acquisition, and is subordinated to the Issuer's senior indebtedness including the Notes and the Revolving Credit Facility pursuant to the Intercreditor Agreement (interest on the Subordinated Shareholder Loan will capitalize prior to and following the Issue Date, increasing the outstanding balance). See "*Description of certain financing arrangements—Subordinated Shareholder Loan*".

(7) As of the Issue Date, subject to the Agreed Security Principles, the obligations of the Issuer under the Indenture, the Revolving Credit Facility and certain hedging obligations will be secured by a first-priority pledge over all of the shares of the Issuer and certain intellectual property rights of the Issuer as well as by a first-priority pledge of the receivables in respect of the Subordinated Shareholder Loan as described under "*—The offering—Collateral*" and "*Description of the Notes—Security.*" Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility and certain hedging obligations will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. Any remaining proceeds received upon any enforcement action over any Collateral will be applied pro rata to the repayment of all obligations under the Indenture and the Notes and any other senior secured Indebtedness of the Issuer permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement. See "*Risk factors—Risks related to the Notes and the Collateral—Creditors under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.*

(8) None of the subsidiaries of the Issuer will guarantee the Notes. The subsidiaries of the Issuer generated 1% and −1% of our total consolidated revenue and Adjusted EBITDA, respectively, for the twelve months ended March 31, 2014 and represented 3% of our total assets as of March 31, 2014. After giving effect to the Transactions, the Issuer's subsidiaries

would have had no financial indebtedness towards third parties as of March 31, 2014. Separate third-parties hold a 20% minority stake in our subsidiaries Twin set—Simona Barbieri Dutch Holding and Twin Set—Shoes S.r.l. Another third-party holds a 10% minority stake in our subsidiary Tessitura Sidoti S.r.l. See also "*Risk factors—Risks related to our capital structure—We are controlled by CEP III whose interests may not be fully aligned with the interests of the holders of the Notes*".

(9) Our shareholders are considering certain corporate reorganization transactions which either or both of them may undertake in future to insert a new direct holding company above the Issuer ("**New Holdco**"), including in connection with potential debt or equity capital market transactions that may be undertaken by New Holdco. New Holdco, if formed, will not guarantee the Notes and its shares will not be pledged to secure the Notes. The Indenture governing the Notes will permit this corporate reorganization without the consent of holders of the Notes, provided that the requirements of the Indenture are fulfilled, see "*Description of the Notes—Certain covenants—Permitted Reorganization*". In the event the Permitted Reorganization occurs, the pledge of the shares of the Issuer securing the Notes of the applicable shareholder will be transferred to the new direct holding company of the Issuer and, in the event that Mo.Da participates in the Permitted Reorganization, the pledge of the receivables in respect of the Subordinated Shareholder Loan will be released. See "*Risk factors—Risks related to the Notes and the Collateral—The granting of the security interests in the Collateral and the undertaking of a Permitted Reorganization may create hardening periods for such security interests in accordance with Italian law*". In addition, the obligations of the Issuer in respect of the Subordinated Shareholder Loan will be transferred to New Holdco and the Issuer released from any further obligations in respect thereof in connection with any such Permitted Reorganization.

The offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "*Description of the Notes*" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Twin Set—Simona Barbieri S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy (the "**Issuer**").
Notes Offered	€150,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2019.
Maturity Date	The Notes will mature on July 15, 2019.
Interest	The Notes will bear interest at a rate equal to three-month EURIBOR plus 5.875% per annum, reset quarterly.
Issue Price	99.000%
Interest Payment Date	Interest on the Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on October 15, 2014. Interest will accrue from the Issue Date.
Ranking	The Notes will be senior obligations of the Issuer and will: ➤ rank equally in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes; ➤ be secured by first-priority liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any obligations secured on a super priority basis, including obligations under the Revolving Credit Facility and obligations under certain hedging arrangements, have been paid in full, as described below under "*—Security*"; ➤ rank senior in right of payment to any and all of the existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, including the Subordinated Shareholder Loan; ➤ be structurally subordinated to all existing and future indebtedness of any of the Issuer's subsidiaries that do not guarantee the Notes; and ➤ be effectively senior to the Issuer's existing and future unsecured indebtedness to the extent of the value of the Collateral securing the Notes.
Security	The Notes will be secured by a first-priority pledge over all present and future shares of capital stock of the Issuer, certain intellectual property rights of the Issuer and the receivable in respect of the Subordinated Shareholder Loan, in each case subject to the Agreed Security Principles. See "*Description of the Notes—Security*" and "*Description of the Notes—Certain definitions*". The lenders under the Revolving Credit Facility and counterparties under certain hedging obligations will benefit from shared first-priority security interests over the same assets noted above. Pursuant to the terms of the Intercreditor Agreement, in the event of enforcement of the Collateral, holders of the Notes will receive proceeds from such

Collateral only after obligations under the Revolving Credit Facility and obligations under certain hedging arrangements have been repaid in full. See "*Description of the Notes—Security—Security documents*" and "*Risk factors—Risks related to the Notes and the Collateral—Creditors under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.*

The security interests over the Collateral may be released under certain circumstances. See "*Description of the Notes—Security—Release*" and "*Risk factors—Risks related to the Notes and the Collateral—There are circumstances other than a repayment on discharge of the Notes under which the Collateral may be released automatically, without your consent or the consent of the Trustee*".

Optional Redemption . . . . The Issuer may redeem all or part of the Notes on or after January 15, 2016 at the redemption prices listed in the section entitled "*Description of the Notes—Optional redemption*".

The Issuer may redeem all or part of the Notes at any time prior to January 15, 2016, by paying a "make-whole" premium as described in the section entitled "*Description of the Notes—Optional redemption*". In addition, at any time prior to January 15, 2016, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes at a price equal to 100% plus the Applicable Rate (as defined under "*Description of the Notes*") in effect on the date on which the notice of redemption is given of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the redemption date with the net proceeds from certain equity offerings.

Tax Redemption . . . . The Issuer may redeem the Notes, in whole but not in part, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if the Issuer or, in certain circumstances, any future guarantor, would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "*Description of the Notes—Redemption for changes in taxes*".

Additional Amounts . . . . All payments made by or on behalf of the Issuer, or by a future guarantor, with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If any applicable withholding agent is required by law to withhold or deduct any such taxes with respect to any payment under the Notes, or any future guarantee, subject to certain exceptions, we will pay the additional amounts necessary so that the net amount received by each holder of the Notes after such withholding (including any withholding or deduction in respect of the additional amounts) is not less than the amount that such holder would have received in the absence of such withholding or deductions. See "*Description of the Notes—Additional amounts*".

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in "*Description of the Notes—Additional amounts*," the Issuer will not be liable to pay any additional amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer. See "*Description of the Notes—Additional amounts*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a noteholder is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in Italian Ministerial Decree of September 4, 1996 and in the Italian Ministerial Decree to be issued as per Article 168-*bis*, Italian Presidential Decree No. 917 of December 22, 1986) (a "white list country") and such noteholder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, noteholders will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

Change of Control . . . . If the Issuer experiences certain events constituting a change of control, you will have the right to require the Issuer to repurchase the Notes (other than in the event of a specified change of control) at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. See "*Description of the Notes—Repurchase at the option of holders—Change of control*".

Covenants . . . . The Indenture will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends or make other distributions on, redeem or repurchase capital stock;
- make certain restricted investments;
- prepay or redeem subordinated debt;
- create or incur certain liens;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

In addition, the Issuer will provide to the Trustee and to holders of the Notes annual and quarterly reports of the Issuer.

	These covenants are subject to important exceptions and qualifications. See "*Description of the Notes—Certain covenants*".
Use of Proceeds	See "*Use of proceeds*".
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Transfer Restrictions; Absence of a Public Market for the Notes	The Notes have not been registered under the U.S. Securities Act and thus are subject to restrictions on transferability and resale. The Issuer cannot assure you that a market for the Notes will develop or that, if a market develops, the market will be a liquid market. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and any market making with respect to the Notes may be discontinued without notice. See "*Plan of distribution*".
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange. In addition, application has been made to Borsa Italiana S.p.A. for listing of the Notes on the ExtraMOT, Professional Segment upon their issuance.
Original Issue Discount	The Notes will be issued with original issue discount for U.S. federal income tax purposes. Accordingly, U.S. investors will generally be required to include the original issue discount in gross income for U.S. federal income tax purposes as it accrues using the constant yield method, in advance of the receipt of cash corresponding to such income, regardless of their regular method of accounting for U.S. federal income tax purposes. For more information, see "*Tax considerations—Certain U.S. federal income tax considerations*".
Trustee and *Rappresentante Comune*	The Law Debenture Trust Corporation p.l.c.
Security Agent	UniCredit Bank AG, Milan Branch.
Paying Agent, Calculation Agent and Transfer Agent	The Bank of New York Mellon, London Branch.
Registrar and Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Governing Law	The Indenture and the Notes will be governed by New York law. The Intercreditor Agreement will be governed by English law. The Security Documents will be governed by Italian law.
Governing Law of the Revolving Credit Facility	English law.

RISK FACTORS

Investing in the Notes involves substantial risks. Please see the "*Risk factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

ADDITIONAL INFORMATION

The Issuer's registered offices are located at Via Della Chimica, 21, 41012 Carpi (Modena), Italy, and its telephone number is +39 059 6257 511.

Summary historical consolidated financial information and other data

The tables below include data extracted or derived from: (i) the unaudited interim consolidated financial statements as at March 31, 2014, and for the three months ended March 31, 2013 and 2014, (ii) our audited consolidated financial statements as at and for the year ended December 31, 2013 and the Issuer Period Financials and (iii) the Light Force Period Financials and the audited consolidated financial statements of Light Force as at and for the year ended December 31, 2011, all of which have been prepared in accordance with Italian GAAP.

Prospective investors should note that, with respect to the figures for the calendar year ended December 31, 2012, we have presented only the Light Force Period Financials (as of December 31, 2012 and for the period from January 1, 2012 to December 30, 2012). The Issuer elected, according to exceptions to the Italian GAAP consolidation rules, to not consolidate Light Force until the completion of the Merger on December 30, 2012. As a result, the Issuer Period Financials reflect the assets and liabilities of Light Force, the goodwill arising from the consolidation, the indebtedness incurred by the Issuer in order to consumate the Acquisition and the associated interest expense and other costs, but only include the operating results of Light Force for December 31, 2012, the calendar day immediately following the Merger and consolidation. For further information, see "*Presentation of financial information*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations*".

Unless otherwise indicated, all financial information contained in this Offering Memorandum has been prepared in accordance with Italian GAAP. We have, however, condensed and renamed certain Italian GAAP line items in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP. Italian GAAP differs in certain respects from IFRS. For a discussion of the differences between Italian GAAP and IFRS see "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*" and "*Risk factors—Risks related to our business—We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS*".

The following tables should be read in conjunction with the information contained in "*Presentation of financial information*", "*Use of proceeds*", "*Capitalization*", "*Management's discussion and analysis of financial condition and results of operations*" and our consolidated financial statements and related notes included in this Offering Memorandum.

SUMMARY CONSOLIDATED STATEMENT OF INCOME:

	Light Force (LF)		Twin Set (TS)			
	For the year ended December 31,	For the period from January 1, to December 30,	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
				(unaudited)		(unaudited)
			(in thousands of €)			
Revenue	117,755	144,501	177,701	58,631	70,167	189,237
Other Income and internally generated assets	1,609	1,105	2,328	361	540	2,507
Change in work in progress, semi-finished and finished product inventories	15,734	5,593	13,697	(8,915)	(14,559)	8,053
Purchase of raw materials, goods and changes in inventory	(53,161)	(53,460)	(72,800)	(12,634)	(12,498)	(72,664)
Cost of services	(42,874)	(44,211)	(54,118)	(16,622)	(17,814)	(55,310)
Rent	(3,791)	(5,001)	(7,523)	(1,701)	(2,493)	(8,315)
Personnel costs	(9,448)	(10,946)	(16,488)	(3,675)	(5,311)	(18,124)
Depreciation and Amortization	(2,371)	(2,969)	(17,654)	(3,902)	(4,699)	(18,451)
Write-downs of trade receivables	(1,314)	(594)	(1,320)	(300)	(400)	(1,420)
Provisions	(1,198)	(6)	(50)	—	(61)	(111)
Other operating costs	(495)	(752)	(1,170)	(139)	(396)	(1,427)
Operating Profit	**20,446**	**33,260**	**22,603**	**11,104**	**12,476**	**23,975**
Financial Income/ (Expenses)	(154)	(327)	(10,628)	(2,093)	(2,859)	(11,394)
Impairment of investments	(3,750)	—	—	—	—	—
Extraordinary Income/	46			(190)	(101)	(1,511)
(Expenses)		(1,241)	(1,600)			
Profit Before Tax	**16,588**	**31,692**	**10,375**	**8,821**	**9,516**	**11,070**
Income Tax	(6,881)	(10,296)	(7,020)	(3,676)	(3,460)	(6,804)
Profit for the period	**9,707**	**21,396**	**3,355**	**5,145**	**6,056**	**4,266**
Profit/(loss) attributable to owners of the Group	9,704	21,385	3,360	5,168	6,058	4,250
Profit/(loss) attributable to non-controlling interests	3	11	(5)	(23)	(2)	16

SUMMARY CONSOLIDATED BALANCE SHEET DATA:

	Light Force	Twin Set		
	As of December 31,			As of March 31,
	2011	2012	2013	2014 (unaudited)
	(in thousands of €)			
Intangible assets (excluding Goodwill)	6,688	43,565	50,809	54,290
Goodwill	3,578	206,833	204,660	202,856
Cash and cash equivalents	12,486	13,095	14,290	11,249
Total Assets	**108,294**	**355,208**	**385,604**	**399,789**
Total Shareholders' Equity	**39,393**	**151,630**	**162,002**	**168,058**
Total Liabilities	**68,901**	**203,578**	**223,602**	**231,731**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS:

	Light Force		Twin Set		
	For the year ended December 31,	For the period from January 1 to December 30,	For the year ended December 31,	For the three months ended March 31,	
	2011	2012	2013	2013	2014
				(unaudited)	
	(in thousands of €)				
Total net cash at the beginning of the period	**10,865**	**4,146**	**12,056**	**12,056**	**13,708**
Cash flow provided by the Acquisition/ disposal of business	—	2,105	—	—	—
Cash flow provided by (used in) operating activities	(509)	7,704	20,086	(5,763)	(6,383)
Cash flow (used in) investing activities	(5,921)	(8,737)	(33,160)	(2,847)	(7,243)
Cash flow provided by (used in) financing activities	(289)	(2,828)	14,726	(613)	6,528
Cash flow of the period	**(6,719)**	**(1,756)**	**1,652**	**(9,223)**	**(7,098)**
Total net cash at the end of the period	**4,146**	**2,390**	**13,708**	**2,833**	**6,610**

OTHER FINANCIAL INFORMATION:

	Light Force		Twin Set			
	For the year ended December 31,	For the period from January 1, to December 30,	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in thousands of €, except ratios and as otherwise indicated)					
Twin Set Revenue	103,251	144,368	177,350	58,598	70,137	188,889
Other revenue(1)	14,504	133	351	33	30	348
Revenue	117,755	144,501	177,701	58,631	70,167	189,237
Reported EBITDA(2)	22,817	36,229	40,257	15,006	17,175	42,426
EBITDAR(2)	26,608	41,230	47,780	16,707	19,668	50,741
Adjusted EBITDA(3)	25,732	36,466	40,204	15,010	17,379	42,573
Adjusted EBITDAR(3)	29,523	41,467	47,727	16,711	19,872	50,888
Reported EBITDA Margin(4)	22.1%	25.1%	22.7%	25.6%	24.5%	22.5%
Adjusted EBITDA Margin(4)	24.9%	25.2%	22.7%	25.6%	24.8%	22.5%
Total operating capital expenditures(5)	8,274	6,336	26,354	2,847	7,264	30,771
Expansion	7,311	4,849	20,513	2,288	5,786	24,011
Maintenance	963	1,235	3,371	402	596	3,565
One-off	—	252	2,470	157	882	3,195
Adjusted total net cash (in millions)(6)						31.6
Adjusted cash interest expense (in millions)(7)						11.1
Adjusted net senior secured debt (in millions)(8)						118.4
Rent-adjusted net senior secured debt (in millions)(9)						184.9
Adjusted net debt (in millions)(10)						123.6
Ratio of Adjusted EBITDA to *adjusted* cash interest expense						3.84x
Ratio of *adjusted* net senior secured debt to Adjusted EBITDA						2.78x
Ratio of *rent-adjusted* net senior secured debt to Adjusted EBITDAR						3.63x

SUMMARY OTHER FINANCIAL AND OPERATIONAL DATA:

Retail points of sale

	As of December 31,						As of March 31,	
	2011		2012		2013		2014	
	LF		TS		TS		TS	
	DOS	Outlet	DOS	Outlet	DOS	Outlet	DOS	Outlet
	(number of points of sale)							
Italy	12	6	18	10	27	10	27	10
Outside of Italy	—	—	—	—	2	—	3	—
Total retail point of sale	18		28		39		40	

Retail points of sale openings

	For the year ended December 31,						For the three months ended March 31,	
	2011		2012		2013		2014	
	LF		TS		TS		TS	
	DOS	Outlet	DOS	Outlet	DOS	Outlet	DOS	Outlet
	(number of points of sale)							
Italy	2(11)	3	6(11)	4	9	—	0(11)	—
Outside of Italy	—	—	—	—	2	—	1	—
Total retail point of sale openings	5		10		11		1	

Like-for-like revenue performance(12)

	For the year ended December 31,			For the three months ended March 31,
	2011	2012(13)	2013	2014
	LF	LF	TS	TS
	(% increase over prior period)			
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	12.0%

Revenue generated by distribution channel

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012(13)	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
Wholesale channel	88,859	119,222	139,441	51,057	57,527
Retail channel (including online)	14,392	25,146	37,909	7,541	12,610
Twin Set Revenue	103,251	144,368	177,350	58,598	70,137
Other revenue(1)	14,504	133	351	33	30
Revenue	117,755	144,501	177,701	58,631	70,167

Revenue generated by geography

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012[13]	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
Italy	71,692	101,416	124,994	41,332	51,449
Benelux	6,235	8,080	10,585	3,612	4,201
Spain	4,936	6,738	7,838	2,962	3,364
France	2,426	3,927	5,816	1,787	1,941
Russia	4,014	4,653	5,968	1,322	1,817
Germany	4,442	5,546	5,051	2,003	1,755
Other countries	9,506	14,008	17,098	5,580	5,610
Twin Set Revenue	**103,251**	**144,368**	**177,350**	**58,598**	**70,137**
Other revenue[1]	14,504	133	351	33	30
Revenue	**117,755**	**144,501**	**177,701**	**58,631**	**70,167**

(1) Other revenue in 2011 relates primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012, 2013 and 2014 relates primarily to our sales of raw materials, not used for interval production, to third parties. See "*Presentation of financial information*" and "*Management's discussion and analysis of financial condition and results of operations*".

(2) We define Reported EBITDA as profit for the period plus income tax, extraordinary (income)/expenses, impairment of investments, financial (income)/expenses, depreciation and amortization. EBITDAR is defined as Reported EBITDA adjusted for rent expenses. In evaluating Reported EBITDA and EBITDAR, you should be aware that, as analytical tools, Reported EBITDA and EBITDAR are subject to certain limitations. Please see "*Presentation of financial information—Other data*". Reported EBITDA and EBITDAR are not measurements of performance or liquidity under Italian GAAP and you should not consider Reported EBITDA or EBITDAR as alternatives to (a) operating income or net income (as determined in accordance with Italian GAAP) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs, (c) EBITDA or (d) any other measures of performance or liquidity under Italian GAAP. Reported EBITDA as presented here differs from the definition of "EBITDA" contained in the "*Description of the Notes*". The criteria for determining Reported EBITDA and EBITDAR 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.

The following table reconciles Reported EBITDA and EBITDAR to profit:

	Light Force		Twin Set			
	For the year ended December 31,	For the period from January 1, to December 30,	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in thousands of €)					
Profit	9,707	21,396	3,355	5,145	6,056	4,266
Income tax	6,881	10,296	7,020	3,676	3,460	6,804
Extraordinary (income)/expenses	(46)	1,241	1,600	190	101	1,511
Impairment of investments	3,750	—	—	—	—	—
Financial (income)/expenses	154	327	10,628	2,093	2,859	11,394
Depreciation and amortization	2,371	2,969	17,654	3,902	4,699	18,451
Reported EBITDA	22,817	36,229	40,257	15,006	17,175	42,426
Rent	3,791	5,001	7,523	1,701	2,493	8,315
EBITDAR	26,608	41,230	47,780	16,707	19,668	50,741

(3) We define Adjusted EBITDA as Reported EBITDA adjusted for non-recurring items and the Reported EBITDA of previously-consolidated entities. We define Adjusted EBITDAR as Adjusted EBITDA adjusted for rent expenses. The criteria for determining Adjusted EBITDA and Adjusted EBITDAR 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*". Adjusted EBITDA and Adjusted EBITDAR are not measurements of performance or liquidity under Italian GAAP or any other generally accepted accounting standards and you should not consider Adjusted EBITDA or Adjusted EBITDAR as alternatives to (a) operating income or net income (as determined in accordance with Italian GAAP, or any other generally accepted accounting principles) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as

a measure of our ability to meet our cash needs, (c) EBITDA or (d) any other measures of performance or liquidity under Italian GAAP, IFRS or any other set of generally accepted accounting principles.

The following table reconciles Reported EBITDA to Adjusted EBITDA and Adjusted EBITDAR:

	Light Force		Twin Set			
	For the year ended December 31,	For the period from January 1, to December 30,	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
	(in thousands of €)					
Reported EBITDA	22,817	36,229	40,257	15,006	17,175	42,426
Non-recurring items including raw materials[a]	2,561	390	—	—	—	—
Non-recurring accruals[b]	900	—	50	—	61	111
Other items[c]	170	(9)	(103)	4	143	36
Reported EBITDA Twin Set for the period June 15, 2012 to December 31, 2012	—	(144)	—	—	—	—
Reported EBITDA Liviana Conti S.r.l.[d]	(716)	—	—	—	—	—
Adjusted EBITDA	25,732	36,466	40,204	15,010	17,379	42,573
Rent	3,791	5,001	7,523	1,701	2,493	8,315
Adjusted EBITDAR	29,523	41,467	47,727	16,711	19,872	50,888

(a) Relates to the estimated impact of onerous supply contracts previously entered into with a former subsidiary of Light Force. See "*Management's discussion and analysis of financial condition and results of operations—factors affecting the comparability of our results of operations—Impact of the disposal of Liviana Conti and Luciano Padovan*".

(b) For 2011, includes €0.5 million related to provisions for disputes with one landlord of a retail location, €0.2 million related to provision for disputes with four agents, and € 0.2 million for a dispute with one customer. For 2013, and for three months ended March 31, 2014, includes a provision for disputes with a former agent.

(c) Other items include bank service costs that, according to Italian GAAP, are classified into the cost of services line item rather than under interest (income)/expense, insurance refunds and gain/loss on disposal of assets.

(d) The Issuer sold its interests in Liviana Conti to Mo.Da on July 19, 2012. As of January 1, 2012, Liviana Conti was considered an "asset held for sale" and, consequently, from such date its results were not consolidated with those of either Light Force or the Issuer. Liviana Conti's 2011 Reported EBITDA is deducted in 2011 to make comparisons of Light Force's 2011 Reported EBITDA to the Reported EBITDA of other periods more meaningful.

(4) Reported EBITDA Margin and Adjusted EBITDA Margin are Reported EBITDA and Adjusted EBITDA, respectively, as a percentage of "Twin Set Revenue". Reported EBITDA Margin and Adjusted EBITDA Margin are not defined terms under Italian GAAP or any other generally accepted accounting principles and may therefore not be comparable with other similar titled measures reported by other companies. The criteria for determining Reported EBITDA Margin 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. For more information, See "*Presentation of financial information—Non-GAAP financial measures*".

(5) For a description, see "*Management's discussion and analysis of financial condition and results of operations—Capital expenditures*".

(6) *Adjusted* total net cash represents total cash and cash equivalents, net of bank overdrafts (if any) as of March 31, 2014, as adjusted to give effect to the Transactions, including the use of proceeds of the Issuance as contemplated under "*Use of Proceeds*", as if the Transactions occurred on March 31, 2014, and includes the net proceeds of €25.0 million to be available for general corporate purposes. See "*Use of proceeds*" and "*Capitalization*".

(7) *Adjusted* cash interest expense is defined as the interest expense on the Notes and the other outstanding indebtedness following the Transactions, in each case giving effect to the Offering for the twelve months ended March 31, 2014, as if the Transactions had occurred on April 1, 2013, assuming an imputed weighted average interest rate (including costs of hedging) of the Notes, assuming a constant EURIBOR rate for the twelve months ended March 31, 2014 and assuming that the Revolving Credit Facility was undrawn during such period. Adjusted cash interest expense excludes charges allocated to debt issuance costs and non-cash interest expenses in respect of the Subordinated Shareholder Loan. Adjusted interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period of our financial condition at any future date.

(8) *Adjusted* net senior secured debt represents senior secured debt as of March 31, 2014, as adjusted to give effect to the Transactions, net of cash and cash equivalents, including the net proceeds of €25.0 million to be available for general corporate purposes. See "*Use of proceeds*" and "*Capitalization*".

(9) *Rent-Adjusted* net senior secured debt represents net senior secured debt as of March 31, 2014, as adjusted to give effect to the Transactions, and further adjusted to reflect the capitalization of rent expenses, which is obtained by applying an eight times multiple to rent expenses for the twelve period ended March 31, 2014 (€8.3 million). Rent-adjusted net senior secured debt is a measure often used by investors, securities analysts and other interested parties in the retail store industry as a supplemental measure of indebtedness and financial position.

(10) *Adjusted* net debt represents financial indebtedness as of March 31, 2014, as adjusted to give effect to the Transactions, including the use of proceeds of the Offering as contemplated under "*Use of proceeds*", as if the Transactions occurred on March 31, 2014, less adjusted total net cash.

(11) The amount is net of the store closing occurred in the period (one store in each of the periods presented).

(12) "Like-for-like retail performance" consists of retail sales from like-for-like points of sale in any given period compared with the same period in the previous financial period, shown as a percentage change between the two periods. Like-for-like points of sale include all our points of sale that were in operation for at least ten months and were open in both periods. "Like-for-like" excludes points of sale closed during each period, including stores temporarily closed for refurbishment. Retail sales consist of total retail sales generated in our points of sale net of rebates and discounts, and before the deduction of VAT and other sales taxes, and concession fees paid to department stores. The criteria for determining like-for-like revenue performance 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*".

(13) 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 was 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*".

Risk factors

An investment in the Notes is subject to a number of risks. Prospective investors should consider carefully the risks described below and the other information contained in this Offering Memorandum prior to making any investment decision with respect to the Notes. Each of the risks discussed below could adversely affect our business, results of operations and financial condition, which, in turn, could have a material adverse effect on the principal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks discussed below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

RISKS RELATED TO OUR BUSINESS

Our industry is highly competitive and our success depends on our ability to identify and respond to new and changing fashion trends and consumer preferences and our ability to maintain favorable brand recognition.

We operate in the affordable luxury apparel industry, a highly competitive market which is influenced by changes in consumer tastes and preferences. See "*Industry*". We compete primarily with other fashion wholesale and retail groups, as well as catalog and online retailers and department store chains that engage in the sale of apparel, accessories, shoes and similar products. Some of our competitors may have substantially greater financial, distribution, marketing and other resources than we do. Our competitors may be able to adopt to changes in consumer preferences or consumer-spending more effectively, or generate greater brand recognition than we can. If we are unable to compete effectively by attracting our target customers to purchase our products, we could lose market share to our competitors.

To compete effectively and achieve our business objectives, we are required to interpret the preferences of our customers, anticipate changes in trends in the affordable luxury segment of the apparel market, increase the variety of our products and grow the recognition of the Twin Set brand globally. If we are unable to adequately interpret customer preferences and anticipate segment trends, we could lose market share and our business could suffer to our competitors.

The fashion industry is generally characterized by rapidly changing consumer preferences and fashion trends. As such, our success depends in part on our ability to maintain a favorable reputation and strong brand recognition. Factors that may influence the image and reputation of our brand include: (i) the actual and perceived quality, style and design of our products; (ii) our global brand awareness throughout the markets and countries in which we operate and (iii) our communication and marketing activities and the strategic positioning of the products we offer.

Any failure to maintain our brand by identifying and responding to new and changing trends and consumer preferences would likely result in a significant increase in unsold merchandise and higher inventories, which could force us to increase our marketing promotions or price markdowns to clear such excess inventories. Moreover, as we further expand our geographical footprint, our collections may meet the fashion tastes of customer groups in certain countries, but fail to meet the fashion tastes of customers in certain other countries. This could negatively impact our brand image and have a material adverse effect on our business, results of operations or financial condition.

Furthermore, our plans to expand our business operations into new markets may be adversely affected by strong competition. For example, some of our competitors may already have long established brands and operations in these markets, which may put them at a competitive advantage. Any further increases in competition could have a material adverse effect on our business, results of operations or financial condition as well as our future growth.

Our business and the markets in which we operate are sensitive to overall economic conditions, and unfavorable economic conditions in Italy and other markets could result in a decline in the demand for our products.

The economic crisis that struck European countries and the consequent deterioration in macroeconomic conditions resulted in a tightening of access to credit and a decline in consumer demand in some of the countries in which we operate. Despite recent signs of recovery, the outlook for the world economy remains uncertain. General market volatility has resulted from uncertainty about sovereign debt and fear that the governments of certain European countries could default on their financial obligations. Although we experienced positive historical performance during the recent global downturn, consumer purchases of discretionary items such as apparel and accessories generally decline in an unfavorable economic environment, especially when disposable income and consumer confidence has decreased. Some of the economic factors influencing consumer spending include levels of unemployment, inflation or deflation, real disposable income, VAT increases, interest rates, the availability of consumer credit and consumer perception of overall economic conditions and their own economic prospects, all of which are factors beyond our control. Should adverse economic conditions continue or worsen in one or more of our key markets, this could have a material adverse effect on our business, results of operations or financial condition.

We depend on key personnel and certain members of our management.

Our results and success are dependent on our capacity to attract and retain qualified personnel. In particular, we rely on the capabilities of our executive managers and other members of management, who have played a decisive role in our development and who have a great deal of experience in the affordable luxury apparel industry. Above all, our Chief Executive Officer Tiziano Sgarbi and Creative Director Simona Barbieri, co-founders of the Issuer, continue to be key figures for the success of the Twin Set brand and the implementation of our strategy. In particular, Mrs. Barbieri plays a key role in our product design, marketing and communication strategies.

The loss of key personnel or managers, particularly Mr. Sgarbi or Mrs. Barbieri, without the prompt addition of appropriate replacements, could therefore adversely affect our operations and prospects. In addition, we cannot assure you that we will continue to be able to retain or attract a sufficient number of skilled personnel on attractive terms or at all. Any inability to recruit, train or retain such personnel could hinder our ability to design and market successful new products and to operate our business, which could have a material adverse effect on our business, results of operations or financial condition.

We are subject to certain risks related to our wholesale channel, including the risk that any of our third-party distributors, agents or wholesale purchasers may fail to adhere to our standards thereby compromising the image of our brand and the risk that we may not be able to retain or develop relationships with significant distributors.

Our wholesale channel consists of wholesale doors managed by third parties, including multi-brand shops managed by third parties, department stores and select franchise stores recently opened in select areas. For the year ended December 31, 2013, these wholesale doors accounted for €139.4 million of sales representing 78.6% of Twin Set Revenue in 2013.

Within the wholesale channel, we sell to third parties through both agents (mostly throughout Western Europe) and distributors (primarily in Russia, Portugal, North America and Australia). When we make sales through our network of agents, we have control over whether or not to sell to end-buyers that reinforce the Twin Set brand. On the other hand, when we sell through our network of distributors, we sell directly to the distributors who then take control of the product and exercise complete control over the end-buyers, including stores that may not be consistent with the positioning of the Twin Set brand. Any failure by stores not operated directly by us to be managed in a manner consistent with our brand image or with their contractual commitments could damage the competitive position of the Twin Set brand. In addition, interruption of commercial relationships with our agents and/or distributors and/or a failure to develop new commercial relationships and/or a significant decrease of related revenue could have a material adverse effect on our business, results of operations or financial condition.

In addition, in many of our major target markets, including Spain and France, we operate through a small number of agents. These agents have the selling relationships with our end customers. The loss of any one agent in these markets could potentially lead to the loss of a substantial number of wholesale clients in those markets. Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

An inability to effectively find locations to expand our DOS network and to manage the associated investment and ongoing costs of this expansion could adversely affect our business.

As of March 31, 2014 we operated forty retail locations (including both directly-operated stores ("**DOS**") and outlets), compared to 39, 28 and 18 retail locations as of December 31, 2013, 2012 and 2011, respectively. For the years ended December 31, 2013, 2012 and 2011, these retail locations accounted for €37.9 million, €25.1 million and €14.4 million of sales, respectively, accounting for 21.4%, 17.4% and 13.9% of Twin Set Revenue for those same years.

We plan to continue to increase the number of our DOS in an effort to increase revenue of our retail channel, strengthen control of distribution in our strategic markets and consolidate our brand image and market positioning. Expanding our retail channel, however, requires us to undertake investment risks and incur fixed costs, including with respect to identifying suitable locations for new store openings. In most cities where we plan to expand, suitable first-tier retail locations are limited and there is significant competition for them. Any inability to find locations we believe are suitable for the Twin Set brand could adversely affect our retail expansion strategy and therefore our business, results of operations or financial condition.

We may also experience difficulty in entering into leases for new stores on acceptable economic terms. In addition, we are sometimes required to pay key money to current tenants or landlords in order to secure leases and such amounts, particularly in Italy, can be significant. For example, to obtain the lease on our store in Milan (Corso Vercelli) we were required to pay €1.1 million in key money. Moreover, we incur significant costs in connection with the preparation and opening of new DOS. See "*Management discussion and analysis of financial condition and results of operations—Liquidity and capital resources*". Since January 1, 2011, the average term required in connection with finding a suitable location was approximately eight months, and the average time to set up and open the new DOS was approximately four months.

We depend on cash flow from operations to pay our lease expenses and other fixed costs associated with our properties. If our sales are lower than anticipated following the expansion of our DOS network we may have to adjust our strategy with respect to DOS that do not perform as well as expected, through increased advertising or price markdowns, which could cause us to incur additional costs and could have a material adverse effect on our business, results of operations or financial condition.

Our business and operations could suffer if we are unable to renew or replace our store leases, or if any of our current leases for our retail locations are terminated prior to their expiration and we cannot find suitable alternative locations.

Our retail locations are in properties owned by third parties that are leased by us. These are situated in some of the world's most prestigious shopping streets and areas. See "*Business—Properties*". In recent years, significant competition has developed among operators in the affordable luxury and luxury apparel industries, as they vie for the same extremely limited prestigious commercial spaces. When we renew expiring leases for our current retail locations we therefore may have to compete with these operators, some of which are considerably larger than our Group and have greater economic and financial assets.

Our leases are in line with market terms and conditions applied to the main operators in the affordable luxury apparel industry and the average length of the leases for our main retail locations is approximately six years, with an option of the Issuer for an additional six-year term. Our business could suffer if we are unable to renew or replace our store leases or enter into leases for new stores on terms which are as good as or preferable to those contained in our current lease agreements, or if any of our current leases are terminated prior to their expiration and we cannot find suitable alternative locations.

Moreover, we are often required, pursuant to applicable law, to obtain and maintain licenses or authorizations to operate our retail locations. If any such licenses or authorizations were denied, limited or cancelled, significantly delayed and/or revoked, we could be subject to additional expenses. In addition, our costs would remain unchanged in the event of a decrease in revenue or sales volumes at one or more of our leased retail locations due to fixed thresholds in the lease contracts. Any of these events affecting our retail locations could have a material adverse effect on our business, results of operations or financial condition.

Our ability to attract customers to our stores may also depend on the success of town centers in which our stores are located, and any decrease in footfall at those town centers could adversely impact our revenue.

Even though we believe that our strong brand attracts our customers and generates most of our footfall, part of our sales at our stores is derived from the high volume of traffic and thus, we must make our stores attractive destinations. Sales volume and retail traffic may be adversely affected by economic downturns in a particular area, competition from other retail and non-retail attractions and the perceived or actual difficulty in visiting our locations. Failure to make our stores an attractive "destination" or a significant decline in the volume of customer traffic would have a material adverse effect on our business, financial condition and results of operations.

In order to generate customer traffic, we locate many of our stores in prominent locations within town centers. Our revenue at these stores is dependent, to a significant degree, on the volume of consumer traffic in those town centers and the surrounding areas. A decrease in popularity of the town centers in which our stores are located and any decline in the level of customer footfall in our stores could have a material adverse effect on our revenue and results of operations.

We face certain risks in relation to developing our online sales platform.

Our online presence accounted for 1.5% of Twin Set Revenue in fiscal year ended December 31, 2013, and we intend to grow our online presence in the future and to develop online stores for countries outside the European community.

Our ability to develop our online sales depends on a number of factors, including our ability to: (i) successfully market our website; (ii) hire, train and retain qualified personnel; (iii) integrate our growing online operations on a profitable basis; (iv) expand our existing distribution center to accommodate our growing online operations; (v) mitigate the effects of any competition our online operations may create for our existing stores; (vi) confront increased competition from other affordable luxury apparel retailers as they introduce transactional websites or expand their existing online presence; and (vii) stock an appropriate selection of products and sizes for online consumers, who tend to have different shopping needs than customers in our physical stores. There can be no assurances that our efforts to expand online sales will result in increased sales or profits. We may not be able to develop our e-commerce distribution channel at the appropriate pace to enable us to cope with increasing competition and/or we may incur unexpected costs or face technical issues in connection with developing our e-commerce distribution channel. Failure to successfully implement our plan to develop online sales could have a material adverse effect on our financial condition and results of operations.

We expect competition in the online sales channel from other brands to intensify in the future. Barriers to entry for e-commerce are small, and current and new competitors can launch new e-commerce platforms at a relatively low cost. As a result of competition from e-commerce players, we may experience pricing pressure and loss of market share, which could have a material adverse effect on our business, results of operations and financial condition.

Our planned expansion into international markets may expose us to risks inherent to international business (including difficulties in enforcing our legal rights in certain foreign jurisdictions), any of which could affect our results of operations.

As part of our business strategy, we will seek to expand our retail and wholesale channels in various international markets such as Russia and China. The economies of some of these countries differ from the economies of Western Europe and in some cases present a greater risk profile. Relevant risks include the levels of political instability and government involvement, development, growth rate and control of foreign currency exchange and capital flow. Many of the countries where we propose to operate have implemented measures aimed at improving the business environment and providing a stable platform for economic development. However, the political, economic and legal reforms necessary to complete such a transformation may not be implemented fully, or may not be successful.

In addition, policies, measures, controls or other actions implemented by the governments of countries which we target for expansion may restrict our business operations or harm our financial results. As a result, our operations could be subject to many of the risks inherent in conducting business in numerous jurisdictions including, among others:

- recessionary trends, inflation, deflation or instability of financial markets;
- legal uncertainty, including lack of judicial or administrative guidance in interpreting local rules and regulations; inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, nullification, modification or renegotiation of orders; lack of developed legal systems to enforce contractual rights and ineffective legal redress in the courts or arbitration tribunals of such jurisdictions and reversal of current policies (including favorable tax and lending policies) encouraging foreign investment or foreign trade by the governments in countries in which we operate as well as a higher degree of discretion on the part of government authorities;
- varying tax regimes that could harm our results of operations, including withholding and other taxes on remittances and other payments by our subsidiaries;
- exposure to different legal and regulatory standards (including standards of care and the prospect of damages under tort rules with which we are not familiar), enforcement mechanisms and the cost of compliance with those standards;
- tariffs, quotas, duties, export controls, import restrictions and other trade barriers;
- labor unrest;
- litigation, regulatory and administrative proceedings, including proceedings that could take years to be resolved;
- higher interest rates and local inflation affecting our cost base;
- currency devaluation, fluctuations in currency exchange rates and/or currency translation risk;
- foreign exchange controls and restrictions on repatriation of funds;
- increased risk of corruption self-dealing or other unethical practices among business partners in less developed regions of the world that may be difficult to deter or remedy;
- embargoes or sanctions;
- acts of war, civil unrest, *force majeure* and terrorism; and
- political and social instability.

Furthermore, distance from our headquarters could make it difficult to consistently communicate the Twin Set brand. Failure to consistently communicate the Twin Set brand could create marketing and reputational risks, and may adversely affect our business, results of operations and financial condition.

We are exposed to risks in connection with joint ventures and other associated companies.

We conduct certain of our business operations through joint ventures and associated companies. As of March 31, 2014, for example, we held an 80% interest in each of Twin Set—Simona Barbieri Dutch Holding in the Netherlands and Twin Set—Shoes S.r.l. in Italy, with the remaining 20% interest being held by a Russian citizen and an Italian joint venture partner, respectively. Our third joint venture partner, as of March 31, 2014, held a 10% minority stake in our Italian affiliate Tessitura Sidoti S.r.l. In the twelve months ended March 31, 2014, we had consolidated revenue of €1.1 million from subsidiaries in which we hold interests of more than 50% but less than 99.5% of the capital stock. We may in the future also enter into further joint ventures or acquire participations in associated companies.

While we generally consider entering into joint ventures to be positive developments, various disadvantages may also result from the participation of minority shareholders whose interests may not always coincide with ours. With respect to some of our joint ventures, our ability to fully exploit the strategic potential in markets in which we operate through joint ventures or associated companies would be impaired if we were unable to agree with our joint venture partners or joint shareholders on a strategy and its implementation. There can be no assurance that any of our strategic or business partners will continue their relationships with us in the future or that we shall be able to pursue our stated strategies with respect to our non-wholly owned subsidiaries, associates and joint ventures and the markets in which they operate. Furthermore, the joint venture partners may (a) have economic or business interests or goals that are inconsistent with ours; (b) take actions contrary to our policies or objectives; (c) experience financial and other difficulties; or (d) be unable or unwilling to fulfil their obligations under the joint ventures, which may affect our financial condition or results of operations. For certain material decisions we may not be able to influence decision-making or may need to obtain the consent of other shareholders. Such limitations could constrain our ability to pursue our corporate and economic objectives in the future and, thus, could have a material adverse effect on our business, financial condition and results of operations.

In addition, certain and/or all of our joint venture partners could under certain conditions terminate contractual relationships, exercise rights to change their interest in the joint venture, or otherwise influence the day-to-day business of the joint ventures. Furthermore, we may be required to make payments to our joint venture partners if the relationship were dissolved or terminated, or be subject to fiduciary or contractual obligations which could prevent, impede or reduce our ability to unilaterally expand in a business area in which such a joint venture or associated company operates. We also need to carry out any joint venture activity and any other cooperation in compliance with applicable antitrust laws which may limit the scope of such joint venture activity or cooperation. Each of these factors may have a material adverse effect on our business, financial condition and results of operations. Furthermore, benefits that we anticipate from our joint ventures may not materialize and we may incur additional costs or other disadvantages in connection with such joint ventures, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

Therefore, we make no assurance as to current or future joint ventures and/or acquisitions, that our current or future partners will continue their relationship with us, that we shall be able to pursue our stated strategies with respect to our non-wholly-owned subsidiaries and/or joint ventures, and/or the markets in which they operate. We also need to carry out any joint venture activity and any other cooperation in compliance with applicable antitrust laws which may limit the scope of such joint venture activity or cooperation. Each of these factors may have a material adverse effect on our business, financial condition and results of operations.

We may be unable to manage our growing business activities.

Our operating complexity will increase as we continue to expand our retail and wholesale channels. Increased complexity will require that we improve our operating capabilities and grow, train and manage our employee base. Developing and refining the appropriate internal management, organizational compliance, financial and risk monitoring structures and controls required to manage this growth place high demands on our Group. We will require more staffing, and may also require improvements in internal risk management and control systems. Delays in improving these systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors, which may also lead to higher operating expenses. The delays may also make it more difficult to identify and manage risks, trends and errors on a timely basis and to ensure compliance with applicable laws, regulations and standards on a group-wide basis.

Moreover, our planned expansion will place increased demands on our existing operational, managerial, administrative and other resources, particularly in the areas of logistics, warehousing and procurement. These increased demands could cause our business to operate less effectively, which in turn could cause deterioration in the financial performance of our individual stores or our overall business.

Our growth could make it difficult for us to adequately predict further expenditures. This growth may also place increased burdens on our suppliers, as we will likely increase the size of our orders. This growth could also impact the operational flexibility and reactivity of our supply chain and make us unable to react as promptly to changing customer demands and new market trends as we have been able to historically. If we do not make the necessary capital or other expenditures necessary to accommodate our future growth, we may not be successful in our growth strategy. We may not be able to anticipate all of the demands that our expanding operations will impose on our business, personnel, systems and controls and procedures, and our failure to appropriately address such demands could have a material adverse effect on our business, results of operations or financial condition.

Sales of our products may be adversely affected by unfavorable weather and natural disasters.

Unseasonable weather conditions can have a significant negative impact on the sale of our products. Mild weather conditions during the Fall can harm sales of winter clothing and, similarly, cold and wet weather conditions during the Spring can harm sales of spring and summer clothing. In March 2013 for example, very cold weather in Europe resulted in negative like-for-like sales growth for the month.

Additionally, natural disasters, such as hurricanes, tornadoes, floods, earthquakes or other major events may affect our product supply and/or distribution network. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Our future growth and profitability could be adversely affected if our advertising and marketing programs are not effective in generating sufficient levels of customer awareness and traffic.

According to a leading third-party management consultancy, the use of traditional luxury features such as aspirational advertising and distinctive store concepts has supported the growth of the affordable luxury segment. As such, we believe that our sales depend to a certain extent on the success of our marketing campaigns. We use various marketing platforms and from time to time will need to refresh or reinvent our marketing campaigns, which will require additional expense. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising and marketing programs. In order for our advertising and marketing programs to be successful, we must manage advertising and marketing costs effectively in order to maintain acceptable operating margins and return on our marketing investment and convert customer awareness into actual store visits and product purchases. If a marketing campaign fails, the investments made will turn out to be ineffective and we could face a decrease in customer demand and a resulting decline in sales which, especially if marketing campaigns repeatedly prove ineffective, may have a material adverse effect on our net assets, financial condition and results of operations.

We depend upon independent third parties for the manufacture of some of our products. Any failure by a manufacturer to ship goods promptly, or produce merchandise according to our specifications or operate in compliance with applicable laws could negatively affect our business.

We depend on independent third party manufacturers to manufacture some of our products. For the year ended December 31, 2013, approximately 70% of our production by volume was outsourced to third-parties (including in China, India, Portugal, Tunisia and Albania). We establish production time frames and quality control standards for our manufacturers, but, in the short term, our business could be adversely affected by the failure of our third party manufacturers to adhere to our quality standards or to deliver and produce our products on a timely basis (or at all) or to our specifications. Moreover, although our contracts with manufacturers give us the right to terminate in the event of a breach, there can be no assurance that our third-party manufacturers will not breach our policies or the provisions of applicable laws and regulations (including those related to acceptable labor practices, occupational health and safety laws).

Our business may be negatively affected in the short term by interruptions in our manufacturers' operations, violations of law, labor disputes and/or willful misconduct. In addition to any costs or reductions in sales that such interruptions might cause us to incur, our business and brands could suffer negative publicity for using manufacturers that do not engage in acceptable labor practices and/or comply with applicable laws. Any of these events could harm our brand image and have a material adverse effect on our business, results of operations or financial condition.

In addition, although these facilities operate under our supervision and quality control, these manufacturers do not have exclusivity agreements with us and may fraudulently reveal our product designs to our competitors and illegally manufacture and distribute counterfeit products under the Twin Set brand.

Finally, any adverse changes in the political and economic climates of the various countries in which our manufacturers operate, any changes in applicable regulatory or tax systems, any imposition of new duties or protectionist measures, any terrorist attacks, military conflicts or political tensions, could result in unforeseen costs, burdens or difficulties in our supply chain, any of which could have a material adverse effect on our business, results of operations or financial condition.

Fluctuations in the price or quality, or disruptions in the availability, of raw materials used in our products could cause us to incur increased costs, disrupt our manufacturing processes or prevent or delay us from meeting our customers' demands.

We require high-quality raw materials in order to produce our products, including nylon, cotton, linen, leather and silk. For the year ended December 31, 2013, raw materials accounted for 17.5% of our costs for purchase of raw materials, goods and changes in inventory.

The market price of the raw materials that we require for our business depends on a wide array of factors that are largely out of our control and that are very difficult to predict. Any supply-related pressures due to a decrease in the number of producers or suppliers of raw materials, shortages of these materials or increased competition from our competitors for raw materials could create difficulties for us in obtaining supplies of high quality raw materials. In addition, our suppliers could fail to provide raw materials that meet our high quality standards. Any of these factors could delay our manufacturing process and/or cause us to incur increased costs, which could have a material adverse effect on our business, results of operations or financial condition.

Our top ten suppliers of raw materials accounted for approximately 25.9% of total raw material purchases in the year ended December 31, 2013. In addition, our single top supplier of raw materials accounted for approximately 3.1% of total raw material purchases for the year ended December 31, 2013. Any termination of important supply relationships or any significant delay or breach by a supplier could delay our manufacturing process and/or cause us to incur increased costs to replace such supplier or type of raw material. In addition, our business could be adversely affected by the failure of our suppliers to adhere to our quality standards and to deliver the raw materials on a timely basis, which could have a material adverse effect on our business, results of operations or financial condition.

Our operations are dependent on our headquarters and manufacturing facilities near Modena.

We are dependent on the performance and operations of our headquarters and manufacturing facilities near Modena. These facilities are subject to various operating risks, some of which may be partially or totally out of our control, including: natural disasters and weather-related events, equipment breakdowns, fires, interruptions in the flow of raw materials and finished products, labor shortages, strikes and/or regulatory matters (including changes in applicable regulations, any failure to comply therewith and/or a revocation of our permits or licenses). An interruption or material disruption of our activities (whether or not covered by applicable insurance) at our headquarters or production facilities due to such events, could create delays or interruptions in the production and distribution cycle of our products, which could result in difficulties in meeting consumer demand or reduced sales, which could have a material adverse effect on our business, results of operations or financial condition.

We depend on a limited number of third-party facilities for the distribution of our products and shipping providers. Interruptions in distribution at any facility or any delay or failure in the delivery of our products could have a material adverse effect on our business.

We rely on third-party storage, shipping and transportation providers to transport raw materials to our manufacturers and finished products to our stores and wholesale purchasers. We face the risk that the delivery of our products could be delayed or fail due to technical problems, strikes or natural events, including adverse weather conditions. Furthermore, any major breakdown of plant or equipment, or accident such as a serious fire, in our distribution centers might significantly impact our ability to distribute products to our stores and maintain an adequate product supply chain. Any such disruption or delay to our storage and/or distribution operations caused by third-party shipping and transportation providers and/or adverse conditions affecting our facilities could have an adverse effect on our in-store inventory, and therefore could materially adversely affect our business, results of operations and financial condition.

The public perception and reputation of our brands could be damaged if our raw materials suppliers or manufacturers of our products fail to comply with applicable labor laws or recognized ethical standards or other applicable laws, or if the public develops an impression that such violations are occurring.

For the year ended December 31, 2013, approximately 70% of our products (by volume) are manufactured outside Italy, including in China, India, Portugal, Tunisia and Albania. We take various steps to ensure that our suppliers of products and manufacturers comply with applicable labor and social welfare laws, as well as internationally acceptable social standards. For example, we have charters with some suppliers that address ethical and environmental standards. However, it is difficult to monitor compliance with these charters and our suppliers and manufacturers may, nonetheless, from time to time, be out of compliance with local labor law or recognized ethical standards. If it emerges that our suppliers or manufacturers of our products have not complied with applicable labor laws or recognized ethical standards, the public perception and reputation of us and our brands could suffer, possibly damaging customer relationships and causing a considerable decrease in sales. In addition, changing a supplier or manufacturer following discovery of a violation could result in additional costs and supply shortages or disruptions. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to political and other business risks in our sourcing markets.

We source most of our raw materials from, and most of our products are manufactured in, Europe, North Africa and Asia. Our sourcing operations may be negatively affected by political, economic and financial instability, labor disputes and social conflicts, health concerns, adverse weather conditions, natural disasters such as floods and earthquakes, or acts of war or terrorism and other factors or developments beyond our control. These factors could require us to modify our current business practices or to incur increased productions costs. Imports from these areas could also be significantly affected by trade restrictions, the introduction of import quotas for textiles and apparel, increased tariffs and stricter customs regulations. In addition, our sourcing of products could be delayed or interrupted due to port strikes, infrastructure congestion, embargoes, trade or import/export restrictions or other factors.

Moreover, there is a risk that our suppliers could respond to any decrease in or any concern with respect to our liquidity or financial results by requiring more stringent payment terms, such as standby letters of credit, earlier or advance payment of invoices, payment upon delivery or other assurances or credit support. In the past, certain of our suppliers have already requested such standby letters of credit and other forms of credit support. One or more of our suppliers may slow down or cease shipments or require or condition their sale or shipment of products on more stringent payment terms. If these events were to occur and we did not or were not able to adequately respond, it could materially disrupt our business. Any such developments could increase our costs of sales and adversely affect our profit margins.

We are exposed to credit risk related to our wholesale customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts.

As of March 31, 2014, for example, we had €74.8 million in trade receivables from wholesale customers, which we typically invoice at the time of dispatch. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. While many customers pay their receivables within 60 to 90 days, 17% of our trade receivables were outstanding for more than 90 days as of March 31, 2014. We can provide no assurance that these amounts will not remain outstanding or that we will not experience an increase in late payments. Our provision for doubtful debts was €2.6 million as of March 31, 2014, representing approximately 3.5% of our gross trade receivables but we cannot guarantee that these provisions will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can make no assurance that bad debts associated with delinquent payments or non-payment by our corporate customers will not increase.

If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, results of operations or financial condition.

Our net sales and inventory levels fluctuate on a seasonal basis leaving our operating results particularly susceptible to changes in seasonal shopping patterns and related risks.

Due to the seasonal nature of our collections, our receivables vary substantially and are generally highest in March and September of each year. Net sales during these periods cannot be used as an accurate indicator of annual results. Likewise, as is the case with many wholesale-centric apparel companies, we typically experience lower net sales in the second and fourth fiscal quarters relative to other quarters. Any significant decrease in net sales during the summer or winter holiday seasons would have a material adverse effect on us. In addition, in order to prepare for these seasons, we must order and keep in stock significantly more merchandise than we carry during other parts of the year. This inventory build-up may require us to expend cash faster than is generated by our operations during this period. Any unanticipated decrease in demand for our products during these peak shopping seasons could require us to sell excess inventory at a substantial markdown, which could have a material adverse effect on our business, results of operations and financial condition.

Our business could be harmed if we fail to maintain proper inventory levels.

We seek to maintain appropriate inventory levels in our stores. Our inventories are monitored closely so that stocks are replenished regularly based on customer demand. However, we try to maintain tight and efficient inventory management to reduce overstocking risk and create a feeling of scarcity and exclusivity among customers in line with luxury brands. In the event that a product or group of products is extraordinarily successful, initial inventories may be sold and we may not be able to replenish a particular store with the products, including sizes and colors, that need to be replenished and as a result we may experience inventory shortages, which might result in unfilled orders and lost revenue. Failure to maintain appropriate inventory levels could have a material adverse effect on our financial condition and results of operation.

Our operations may be interrupted or otherwise adversely affected as a result of failures in our IT systems.

Our success depends on the continuous and uninterrupted availability of our IT systems to process, among others, customer transactions, design products, inventory management, purchase and ship our products. We are currently in the process of implementing an IT system through which we monitor the performance of stores and collections as well as manage inventories. A range of factors, such as telecommunication problems, software errors, inadequate capacity at IT centers, fire, power outages or damage, attacks by third parties, computer viruses and the delayed or failed implementation of new computer systems, could interfere with the availability of our IT systems. Any material disruption or slowdown of our systems could cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of products to our stores and customers or lost sales. Our existing safety systems, data backup, access protection, user management and IT emergency planning may not be sufficient to prevent information loss or disruptions to our IT systems. Accordingly, if changes in technology cause our IT systems to become obsolete, or if our IT systems are inadequate to handle our growth, we could lose customers.

Management will use the new IT systems to support decision making and to monitor business performance. We may fail to generate accurate and complete financial and operational reports essential for making decisions at various levels of management, which could lead to decisions being made that have adverse results. Failure to adopt systematic procedures to initiate change requests, test changes, document changes and authorize changes to systems and processes prior to deployment may result in unsuccessful changes and could disrupt our business and reduce sales. In addition, if we do not maintain adequate controls such as reconciliations, segregation of duties and verification to prevent errors or incomplete information, our ability to operate our business could be limited.

Changes in credit and debit card provider requirements or applicable regulations could adversely affect our business.

Since a substantial portion of our retail sales are made to customers that pay for their purchases with credit or debit cards, we are exposed to a variety of risks associated with credit and debit cards. For credit and debit card payments, we pay interchange and other fees. These fees may increase over time and thus increase our operating expenses and adversely affect our results of operations. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply.

Any failure to comply with applicable requirements or regulations may subject us to fines and higher transaction fees, the loss of our ability to accept credit and debit card payments from our customers or the cessation of payments from credit and debit card providers to us for purchases already made. Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to currency-related risks.

The Euro is the functional currency used in our consolidated financial statements. However, we have conducted and will continue to conduct transactions through companies that operate in currencies other than the Euro, primarily US Dollars. See "*Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosure about market risk—Treasury and Financial Risk Management*". We are, therefore, exposed to the risk of fluctuating exchange rates especially in the purchasing of raw materials.

We attempt to mitigate our exchange rate risk by engaging in derivative, hedging transactions; specifically, we have entered into foreign exchange forward contracts to mitigate the foreign exchange risk on US Dollars. A change in balances or significant foreign currency exchange rate fluctuations in the future could adversely affect our business, results of operations and financial condition. See "*Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosure about market risk*".

We are exposed to labor risks including rising labor costs and/ or work stoppages.

As of March 31, 2014, we employed 268 sales staff in our stores. In the future, we may be forced to raise our wages for these sales staff due to new labor laws or regulations, pressure exerted by trade unions or general wage increases across the industry or in any particular region in which we operate our retail locations. An increase in labor costs may affect our profitability, our ability to compete effectively with other fashion retailers, and may have a material adverse effect on our business, results of operations and financial condition.

In addition, various phases of our production process are outsourced to third parties pursuant to standard agreements. There can be no assurance that their employees would not, as a result of certain Italian employment regulations, be considered employees of the Twin Set Group entitled to benefits that such a relationship would offer.

Moreover, the European Union, where almost all of our employees are located, has labor laws that ensure a high level of protection for employees, and some of our employees are, or may in the future be, represented by labor unions. When one or more of the collective bargaining agreements to which a material number of our employees are subject is renegotiated, we may disagree with the union on important issues that, in turn, could lead to a strike, work slowdown or other industrial action. There can be no assurance that we will be able to renew existing labor union contracts on mutually acceptable terms. A strike, work slowdown or other action could result in the effective closure of our DOS or outlets, or disrupt us from delivering our products to our distributors or agents, which would result in increased costs and/or reduced revenue. Additionally, we may incur expenses in resolving disputes and complying with local laws relating to overtime, social security and pension contributions, occupational risk matters and other labor-related issues. We may also incur increased labor costs due to competition, increased minimum wage, employee benefit costs, medical benefits costs that could otherwise adversely affect our business, results of operations and financial condition.

We face a risk of theft or misappropriation of funds and products in our stores or in our warehouses, and face a risk of misappropriation of our customer data.

In the ordinary course of our business, we are exposed to a risk of theft of products in our stores. Products may also be misappropriated during transportation or at our warehouses. In addition, we may from time to time experience a misappropriation of funds in our stores or at other levels of our business. Any such theft or misappropriation could have a material adverse effect on our business, financial condition and results of operations.

We also face the risk that customer data that we collect for marketing purposes may be stolen or misappropriated. In this case, customers may be discouraged from providing us with their data and our marketing could be negatively affected as a result. Furthermore, our reputation could be negatively affected which could result in lower sales.

Our expansion is dependent upon a number of factors, many of which could strain our resources or delay or prevent our successful expansion in new or existing markets.

Our ability to increase our revenue, pursue growth and development objectives and maintain high profitability levels depends on our success in carrying out our strategic manufacturing, sales and distribution plans.

Specifically, we intend to continue to develop the Twin Set brand in the affordable luxury apparel industry in our key European markets and in Asia. The success of this planned expansion will depend primarily on the increase in: (i) the number and location of our DOS and (ii) the recognition of the

Twin Set brand in our target markets. This expansion could lead to an increase in our fixed costs related to the opening of new shops, as well as uncertainties related to our ability to enter into lease contracts on terms economically satisfactory to the Group. In addition, we intend to expand our retail channel into new markets where the success of the Twin Set brand is not yet established and depends, among other things, on our capacity to understand consumer preferences, as well as to identify and/or anticipate the trends in the affordable luxury apparel market segment.

If we fail to realize our strategic objectives, in full or in part and in a timely manner or if the underlying assumptions on which such objectives are based prove to be incorrect, our ability to increase our revenue and profitability could suffer, which could have a material adverse effect on our business, results of operations or financial condition.

The international scope of our operations and our corporate and financing structure may expose us to potentially adverse tax consequences.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to intercompany pricing laws, including those relating to the flow of funds among our companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect our business, results of operations and financial condition or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions, including the tax treatment or characterization of our indebtedness, including the Notes, payments or other distributions to our shareholder, existing and future intercompany loans and guarantees or the deduction of interest expenses. We could also fail, whether inadvertently or through reasons beyond our control, to comply with tax laws and regulations relating to the tax treatment of various of our financing arrangements, which could result in unfavorable tax treatment for such arrangements. If any applicable tax authorities were to: (i) successfully challenge the tax treatment or characterization of any of our intercompany loans or transactions; or (ii) impose additional registration or other taxes, it could result in the disallowance of deductions, a limitation on our ability to deduct interest expense, the imposition of withholding or other taxes, the imposition of taxes on internal deemed transfers and the application of significant penalties and accrued interest. These consequences that could have a material adverse effect on our business, financial condition, results of operations and cash flows or on our ability to service or otherwise make payments on the Notes or the ability of the Group to make payments on the intercompany loans made in connection therewith.

New or existing laws and regulations, or amendments thereto, may adversely affect our products or operations.

In the jurisdictions in which we operate, we are subject to various laws and regulations that are applicable to our products and activities, including laws and regulations related to intellectual property, antitrust and competition, occupational health and safety, and the environment. New laws or regulations (or amendments to existing laws or regulations) may require us to modify our products or practices at significant cost, or otherwise limit or prevent our activities, which could have a material adverse effect on our business, results of operations or financial condition.

In particular, our products are subject to customs duties on imports and other duties on imports with respect to sales in countries outside the EU. The imposition of new customs duties or more stringent protectionist measures by the countries in which we operate could have a material adverse effect on our business, results of operations or financial condition.

We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS.

Our consolidated financial statements included in this Offering Memorandum are based on Italian GAAP, which differs in certain respects from IFRS. We have not presented a reconciliation of our financial statements to IFRS in this Offering Memorandum. We may adopt IFRS for our consolidated financial statements in future years. Because there are differences between Italian GAAP and IFRS, if we were to prepare our financial statements on the basis of IFRS instead of Italian GAAP, there could be substantial differences in our results of operations, cash flows and financial position, including levels of indebtedness.

If we adopt IFRS, the Indenture requires us to report according to such standards, and the covenant calculations will be based on the relevant standards, subject to certain exceptions relating to the treatment of leases. There could be significant differences in our reported results between our newly adopted standards and Italian GAAP. We will not be required to reconcile these differences. In addition, our covenants may become more or less restrictive from time to time, depending upon the effect of the standards we adopt. This could result in our being able to take actions that might be to your detriment, such as incurring greater amounts of debt than would otherwise have been possible, or not being able to take actions that would otherwise be to your benefit, such as making investments. See "*Annex A: Summary of certain differences between Italian GAAP as compared to IFRS*" and "*Description of the Notes*".

Our insurance may be insufficient and, due to factors beyond our control or a claim by us, our insurance premiums may increase significantly, which may adversely affect our financial results.

We carry insurance of various types. We may not always be able to accurately foresee all activities and situations in order to ensure that they are fully covered by the terms of our insurance policies and, as a result, we may not be covered by insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are insurable and we may experience major incidents of a nature that are not covered by insurance.

Insurance costs may increase substantially in the future and may be affected by natural catastrophes, fear of terrorism, intervention by the government, or a decrease in the number of insurance carriers. In addition, the carriers with which we hold our policies may go out of business, or may be otherwise unable to fulfill their contractual obligations. Furthermore, for certain types or levels of risk, such as risks associated with earthquakes, hurricanes or terrorist attacks, we may determine that we cannot obtain commercial insurance at acceptable prices, if at all. We do not maintain separate funds or otherwise set aside reserves to cover losses or claims by third parties. Therefore, if an uninsured loss were to occur, we could experience significant disruption to our operations, suffer significant losses and be required to make significant payments for which we would not be compensated, any of which in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

Moreover, certain of our insurance policies contain somewhat unfavorable contractual conditions which may effectively reduce our insurance coverage and/or limit our ability to file claims. For example, pursuant to certain of our insurance policies, the insurance provider may terminate the insurance policy upon 30 days' notice (which may be reduced to seven days in certain cases). In addition, some of our policies are "claims made" policies, which may substantially limit our insurance coverage.

Furthermore, in the event of any significant claims by us, our insurance premiums may increase significantly. In addition, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost, which may have an adverse effect on our business, results of operations, financial condition and prospects.

We may become involved in litigation and arbitration proceedings.

We may become involved in litigation and arbitration proceedings, such as labor related litigation, tax audits, intellectual property litigation or litigation or arbitration with our customers, suppliers or partners. Even if we were successful in defending such proceedings, we would still suffer from the distraction of management resources dedicated to such proceedings, incur certain expenses and possibly face harm to our reputation from case-related publicity. The involvement in litigation and arbitration proceedings may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR INDUSTRY

The affordable luxury apparel industry in which we operate is subject to significant trademark infringement and product counterfeiting.

Trademark infringement and product counterfeiting affect the affordable luxury apparel industry and we are required to incur costs and employ resources to prevent or mitigate their effects on our brands and products. The presence on the market of a significant amount of counterfeited products could adversely influence our business activities. Furthermore, the lower quality of these products compared to the originals may have an adverse effect on the Twin Set brand. These factors could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to adequately protect our intellectual property rights.

The protection of intellectual property rights is crucial to our markets and business. We devote substantial resources to the establishment and protection of our intellectual property rights on a worldwide basis and believe that these efforts have led to successful registration of our brand and trademarks in our principal markets. Nevertheless, we cannot assure you that the actions taken by us to establish and protect our brand and other intellectual property rights will be adequate to prevent imitation of our products by our competitors or other third parties or to prevent these persons from asserting rights in, or ownership of, our brand and other intellectual property rights. We may therefore be forced to spend significant resources to defend our intellectual property from third-party claims.

In addition, should third parties register intellectual property rights which overlap with ours, or should we attempt to enter new markets where third parties have registered intellectual property rights which are similar to those which we would wish to register, we may be constrained from developing our business to the fullest extent possible.

Moreover, changes in law or adverse judicial or administrative judgments affecting our intellectual property rights could deprive us of the ownership or use of one or more of our own intellectual property rights, which could require us to pay damages and/or cease production of merchandise benefiting from those rights, which could have a material adverse effect on our business, results of operations or financial condition.

We may infringe intellectual property rights of third parties.

Our products may violate the intellectual property rights (in particular trademarks and design rights) of third parties. If we are perceived to have adopted trends or designs developed by competitors, we may become subject to claims that we have violated the intellectual property rights of others. We may be prevented by third parties from using, sourcing or marketing certain designs and product ideas. If we violate a third party's rights, we may be liable for damages as well as litigation costs and may be obligated to withdraw goods already produced from the market or purchase a license to use such rights. This may reduce sales, erode margins or damage our reputation, any of which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR CAPITAL STRUCTURE

We are controlled by CEP III whose interests may not be fully aligned with the interests of the holders of the Notes.

As of the date of this Offering Memorandum, CEP III, a vehicle formed by Carlyle, beneficially owns 72% of the Issuer's share capital and effectively controls 72% of our voting rights. See "*Principal shareholders—The Issuer*". The interests of our principal shareholder may not in all cases be aligned with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of CEP III might conflict with your interests as a holder of the Notes. In addition, CEP III may have an interest in causing our Board of Directors to declare dividends, incur additional indebtedness or pursue acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investments, even though such transactions might involve risks to you as a holder of the Notes.

Italian tax legislation may restrict the deductibility of all or a portion of the interest expense on our indebtedness, including interest expense in respect of the Notes.

Current tax legislation in Italy (Article 96 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows for the full tax deductibility of interest expense (other than capitalized interest expense) incurred by a company, other than a bank or financial institution, in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the company's gross operating income (*i.e., risultato operativo lordo della gestione caratteristica*) (the "**ROL**"). For the purpose of the aforementioned Article 96, ROL is given by the difference between (a) the value of production (item A of the profit and loss accounts scheme contained in Article 2425 of the Italian Civil Code) and (b) costs of production (item B of the profit and loss accounts scheme contained in Article 2425 of the Italian Civil Code), excluding depreciation, amortization and financial leasing fees relating to business assets. The relevant items are those resulting from the statutory profit and loss account of the company.

The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, provided that and to the extent that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group. This 30% threshold applies to the Italian subsidiaries of the Issuer.

In addition, Article 3(115) of Italian Law No. 549 of December 28, 1995 sets forth certain limitations to the deductibility of interest expense arising from bonds or notes issued by Italian companies other than banks or listed companies. However, under the provisions of Article 32 of Italian Law Decree No. 83 of June 22, 2012, interest on the Notes is deductible to the extent mentioned above provided that the Notes are listed for trading (*negoziati*) on a regulated market or on a multilateral trading platform of a Member State of the European Union and of the States of the European Economic Area included in the approved list provided for by Article 168-*bis* of Italian Presidential Decree No. 917 of December 22, 1986. For more information, see "*—Risks related to the Notes and the Collateral—No assurance can be given that the listing of the Notes will be maintained or that such listing will satisfy the listing requirement of Article 32(8) of Italian Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996*".

Furthermore, inter alia, under Article 110 (10) of Italian Decree No. 917/1986, the deductibility of expenses paid to non-Italian resident investors which are resident in a country not included in the white list provided for by Article 168-*bis* of Italian Decree No. 917/1986 could suffer certain limitations.

The Italian tax authorities have in certain instances totally or partially limited the deductibility of the interest expenses arising in connection with acquisition financing, refinancing of previous acquisitions' indebtedness, dividend recapitalizations or other transactions with shareholders (such as transfer of shares intragroup). The allegations have been made by arguing that the actual beneficiary of the transaction which generated the interest expense was not the acquiring entity, but its shareholders. Moreover, in circumstances where the Italian company deducting the interest expenses accrued on the aforementioned transactions was controlled by a non-Italian-resident entity (as in the case of the Issuer), the Italian tax authorities argued that such interest expense should have been re-charged at arm's length to the non-Italian-resident shareholders. To date, tax courts have not ruled in a consistent way with respect to these cases, although there is jurisprudence in favour of the taxpayer's position.

In addition, there can be no assurance that in case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used in whole or in part, to refinance an outstanding loan, when the terms and conditions of the refinancing transaction appear less favorable than the ones of the previous financing transaction or, to finance payments or distributions of dividends and/or capital made to shareholders of the Issuer or otherwise. In particular, in such circumstances the relevant tax authorities could argue that the interest expenses arising from such financing does not relate to the business of the borrowing entity (as the relevant transaction is deemed as "anti-economic" and as such not compliant with the "business purpose" (*inerenza*) principle set out under Italian tax law). In this respect, valid defensive arguments exist to the extent the taxpayer may demonstrate that the transaction as a whole is based on rational and economic reasons and finalized to generate an utility (in terms of overall economic benefit) for the company, even in a future perspective and that a taxpayer can freely determine how to fund the distribution of a dividend.

If the Italian tax authorities were to successfully challenge the tax treatment (including on the basis of anti-avoidance, anti-abusive criteria or "business purpose" requirement) of the interest expense incurred in connection with the leveraged buyout of Issuer or with dividend recapitalization transactions or intragroup transactions or any changes of tax laws or in their interpretation or application occurs, including the tax regime of interest expenses arising from any indebtedness, comprising the Notes, we may be unable to fully deduct the interest expense incurred on the Notes, and we may also be subject to significant penalties and interest, or other consequences that could have a material adverse effect on our financial condition and results of operations, or on our ability to service or otherwise make payments on the Notes and our other indebtedness.

We have recorded a significant amount of goodwill and we may not realize the full value thereof.

We have recorded a significant amount of goodwill. Total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, was €202.9 million as of March 31, 2014, or 50.7% of our total assets. Goodwill is recorded as an intangible asset, in accordance with Italian GAAP, is amortized on a straight-line basis over the period of its estimated useful life (up to a maximum of 20 years) and tested for impairment whenever there is any indication of impairment. Impairment may result from, among other things, prolonged deterioration in our performance, a prolonged decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We recorded no goodwill impairment charges for the year ended December 31, 2013 and the first three months of 2014. Recoverable value of goodwill is based on directors' forecasts that present inevitable elements of uncertainty due to the unpredictability related to the occurrence of future events and the characteristics of the relevant market; therefore, the Group's ability to meet our Directors' forecasts may impact on future evaluations, including goodwill assessment. Any future impairment of goodwill may result in material reductions of our income and equity under Italian GAAP.

RISKS RELATED TO OUR INDEBTEDNESS

Our significant leverage may make it difficult for us to service our debt, including the Notes, and operate our businesses.

Upon completion of the Offering of the Notes, our net leverage will increase and we will continue to have a substantial amount of outstanding debt with significant debt service requirements. At

March 31, 2014, on an adjusted basis after giving effect to the issuance and sale of the Notes in this Offering and the application of a portion of the proceeds therefrom used for debt repayment (€77.5 million), the partial repayment of the Subordinated Shareholder Loan (€12.2 million) and the payment of a distribution to our shareholders (€27.8 million), our consolidated debt would have been €155.2 million and we would have had €10.0 million available for borrowing under our Revolving Credit Facility. Our significant leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business, industry or the economic conditions in the markets in which we operate;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business, industry and our competitive environment;
- restricting us from pursuing acquisitions, or exploiting certain business opportunities;
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings; and
- subjecting us to a greater risk of non-compliance with financial and other restrictive covenants in our debt facilities.

In addition, we expect to have €25.0 million of the gross proceeds from the Offering of the Notes available for general corporate purposes, subsequent to the Issue Date. See "*Use of proceeds*." Until we deploy these proceeds, such funds are likely to generate negative carry as they incur interest at a rate that exceeds their return when held in cash.

We may not have enough cash available to service our debt.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or to refinance our debt depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategies as well as general economic, financial, competitive, regulatory, technical and other factors, including the other factors discussed in this "*Risk factors*" section, that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditure or sell material assets. We cannot assure you that we will be able to refinance any of our debt, including the Notes, on commercially reasonable terms, if at all. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand and we may not have sufficient funds to repay all of our debts, including the Notes. See also "*Description of certain financing arrangements*".

Despite our current significant leverage, we may be able to incur more debt in the future, which could further exacerbate the risks of the Group's leverage. This additional debt may be structurally senior or have a senior security interest with respect to the Notes.

We have incurred significant amounts of debt and may incur more debt in the future. Our Revolving Credit Facility will provide for commitments of up to €10.0 million. On the Issue Date, it is expected that our Revolving Credit Facility will be undrawn.

In addition, we may incur substantial additional debt in the future. The terms of the Indenture will limit, but not prohibit us from incurring additional debt, including under the Revolving Credit Facility, or by a non-guarantor or debt that is secured on assets of the Group, which debt would be satisfied ahead of the Notes and any future Note Guarantees. The incurrence of additional debt would increase the leverage-related risks described in this Offering Memorandum.

We are subject to restrictive covenants under the Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.

Restrictive covenants under the Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock; and
- enter into transactions with affiliates.

The restrictions contained in the Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Revolving Credit Facility Agreement or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

The Notes and substantially all of our other indebtedness that will remain outstanding subsequent to the Issuance, including the Revolving Credit Facility, bear interest at floating rates of interest equal to three-month EURIBOR (in the case of the Notes) or the applicable EURIBOR or LIBOR for the relevant interest period under the Revolving Credit Facility Agreement, in each case plus a margin adjusted at regular intervals (e.g., quarterly, as with the Notes). These interest rates could rise significantly in the future reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes.

The Indenture will not contain a covenant requiring us to hedge all or any portion of our floating rate debt. We may, however, elect to enter into certain hedging arrangements designed to fix a portion of these rates, although there can be no assurance that we will enter into hedging or that hedging will be available on commercially reasonable terms. In addition, hedging carries certain risks, including that we may need to pay significant amounts (including costs) to terminate any hedging arrangements. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

RISKS RELATED TO THE NOTES AND THE COLLATERAL

The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes.

No appraisal of the value of the Collateral has been prepared by us or on our behalf in connection with the Offering. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions, the availability of suitable buyers at the time of any such sale and any fees, taxes or duties required to be paid under applicable law in connection with the enforcement of the Collateral. By its nature, the Collateral may be illiquid and have no ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral. The book value of the Collateral should not be relied on as a measure of the realizable value for such assets. The fair market value of the Collateral as at the date of this Offering Memorandum may not exceed the principal amount of the debt secured thereby. The value of the Collateral, and in particular, the pledged capital stock, could be impaired in the future as a result of changing economic conditions, failure to implement our business strategy, competition and other future trends and may be without any value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located entirely outside the United States, which may limit the realizable value of the Collateral for investors in the United States. For example, the bankruptcy, insolvency, administration and other laws of the relevant jurisdiction may be different for those of the United States including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then holders of Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets.

Creditors under the Revolving Credit Facility Agreement, certain hedging obligations and certain other indebtedness are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The Notes will be secured initially on a first-ranking basis by the same Collateral securing the obligations under the Revolving Credit Facility Agreement and certain priority hedging liabilities in connection therewith. In addition, under the terms of the Indenture and the Intercreditor Agreement we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a pari passu basis with the Notes and, to a lesser extent, on a super-priority basis, including the Revolving Credit Facility, certain other indebtedness and interest.

In the event of enforcement of the Collateral securing the Notes, pursuant to the Intercreditor Agreement, creditors under the Revolving Credit Facility Agreement, any credit facility that refinances or replaces the Revolving Credit Facility and certain hedging liabilities and other super-priority creditors will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes. As such, in the event of a foreclosure of the Collateral, holders of the Notes may not be able to recover on the Collateral if the then outstanding claims by creditors of super-priority obligations are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral will, after all super priority obligations have been discharged from such recoveries, be applied pro rata in repayment of the Notes and any other obligations secured by the Collateral that are permitted to rank pari passu and are secured on a pari passu basis with the Notes. As a result, proceeds from the sale of Collateral in connection with any enforcement action may be insufficient to pay claims under the Notes.

Holders of the Notes may not control certain decisions regarding the Collateral and the rights of the holders of the Notes to take enforcement action, including with respect to the liens securing the Notes, are limited.

The Indenture and the Intercreditor Agreement will contain provisions restricting the rights of holders of the Notes to take enforcement action with respect to the liens securing such Notes in certain circumstances. The Intercreditor Agreement provides that a common Security Agent, who will also serve as the security agent for the lenders under the Revolving Credit Facility Agreement, certain priority hedging obligations, the Notes and any additional debt secured by the Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined under "*Description of certain financing arrangements—Intercreditor Agreement*") that consists of (i) creditors holding more than 66⅔% of the indebtedness and commitments under the Revolving Credit Facility and certain priority hedging obligations (the "**Majority Super Senior Creditors**") and (ii) creditors holding more than 50% of the indebtedness under the Notes and indebtedness ranking pari passu with the Notes (in each case acting through their respective creditor representative, the "**Creditor Representatives**"). However, if the Security Agent has received conflicting enforcement instructions from the Creditor Representatives then, provided that the instructions from the Senior Secured Notes/Pari Passu Required Holders (as defined under "*Description of certain financing arrangements—Intercreditor Agreement*") (to the extent given) comply with certain initial consultation requirements and the Security Enforcement Principles (as defined in "*Description of certain financing arrangements—Intercreditor Agreement*"), the Security Agent will comply with the instructions from the Senior Secured Notes/Pari Passu Required Holders, provided that if the Super Senior Liabilities (as defined in "*Description of certain financing arrangements—Intercreditor Agreement*") have not been fully discharged within six months, or no steps have been taken in relation to the commencement of enforcement of the Collateral within three months, in each case, of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail if compliant with the Security Enforcement Principles. To the extent we incur additional indebtedness that is secured on a pari passu basis with the Notes, the voting interest of holders of Notes in an instructing group will be diluted commensurate with the amount of indebtedness we incur.

The lenders under the Revolving Credit Facility Agreement and the creditors in respect of certain priority hedging obligations may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the Security Documents at a time when it would be disadvantageous for the holders of the Notes to do so. In addition, if the Security Agent sells Collateral consisting of the shares of the Issuer or any of its holding companies or subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the liens over any other assets of such entities securing the Notes may be released. See "*Description of certain financing arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release*".

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer in the event of a default. See "*Description of certain financing arrangements—Intercreditor Agreement*".

The Issuer will have control over certain of the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will allow the Issuer and, in the case of the pledge of the Issuer's shares and the receivables under the Subordinated Shareholder Loan, the shareholders of the Issuer (as the case may be), to remain in possession of, retain exclusive control over, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default under the Indenture would result therefrom, the Issuer may, amongst other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to such Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of debt.

The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

On the Issue Date, the Notes will be secured by first-priority security interests consisting of a pledge of all of the share capital of the Issuer and over certain intellectual property rights of the Issuer and a pledge of the receivables in respect of the Subordinated Shareholder Loan. See also "*—Creditors under the Revolving Credit Facility, certain hedging obligations and certain other indebtedness are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes*". The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

It may be difficult to realize the value of the Collateral.

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor Agreement, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under Italian law.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease. Furthermore, because the Indenture, the Notes, the Intercreditor Agreement and the security interests in respect thereof will be governed by the laws of a number of different jurisdictions, respective realization and enforcement may be further delayed by court proceedings being taken in multiple jurisdictions.

The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the debt obligations of the Issuer. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer is limited.

The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

The obligations of the grantors of security and enforcement of the Collateral will be limited to the maximum amount that can be secured by such grantor of security under applicable law, including limitations to the extent that the grant of such pledge of security could be construed as not being in the relevant pledgor's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value.

Accordingly, enforcement in respect of the Collateral against the relevant pledgor would be subject to certain defenses available to security providers generally or, in some cases, to limitations contained in the terms of the pledge of security designed to ensure compliance with statutory requirements applicable to the relevant pledgors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, the liability of a pledgor of security of could be materially reduced or eliminated, depending on the law applicable to it.

It is possible that a pledgor of security, or a creditor of a pledgor of security, or the bankruptcy trustee in the case of a bankruptcy of a pledgor of security, may contest the validity and enforceability of the or pledgor's pledge of security on any of the aforementioned grounds and that the applicable court may determine that the pledge should be limited or voided. To the extent such limitations on the security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable pledgor, including trade payables of such pledgor to the extent of such limitations. Future pledges may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claims. The enforcement on the Collateral located in Italy or governed by Italian law is subject to mandatory provisions of Italian law, including in relation to procedures in respect thereof. Enforcement of the Collateral may also be subject to certain statutory limitations and defenses or to limitations contained in the terms of the Security Documents designed to ensure compliance with applicable statutory requirements. For a more detailed description of various limitations on the security under Italian law and certain Italian insolvency law considerations, see

"*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*".

The ability of the Security Agent to enforce the Collateral may be restricted by Italian law.

The Indenture and the Intercreditor Agreement will provide that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See "*Description of the Notes—Security*".

Notwithstanding this, it is uncertain and untested in the Italian courts whether, under Italian law, security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of The Law Debenture Trust Corporation p.l.c. as the Trustee of the holders of the Notes, since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

To address the above potential issue, the Collateral will be created and perfected in favor of the Trustee acting also in its capacity as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. However, please note that the enforceability of Italian law security granted in favor of a trustee acting as trustee and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code has not been tested in the Italian courts and, therefore, the risk of unenforceability by the holders of the Notes of the security documents posed by Italian law cannot be eliminated or mitigated. Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

There are circumstances other than repayment or discharge of the Notes under which the Collateral may be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, Collateral securing the Notes may be released automatically, including, without limitation, the following:

- in connection with the disposition of Collateral (except in respect of a Permitted Reorganization, other than the pledge of the shares of the Issuer) to (a) any person other than the Issuer or any restricted subsidiary, other than a receivables subsidiary and excluding any transaction subject to the "consolidation and merger" covenant, that is not prohibited by the Indenture or (b) the Issuer or any restricted subsidiary, provided the relevant Collateral remains subject to, or otherwise becomes subject to, a lien in favor of the holders of the Notes;
- if a restricted subsidiary is designated to be an unrestricted subsidiary, the release of the property, assets and capital stock of such restricted subsidiary;
- in connection with one or more Permitted Reorganizations;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- as described under "*Description of the Notes—Amendment, supplement and waiver*" and "*Description of the Notes—Certain covenants—Impairment of security interest*"; and

- if the lien granted in favor of the Revolving Credit Facility, "public debt" (as defined in the Indenture) or such other indebtedness that gave rise to the obligation to grant the lien over such Collateral is released (other than pursuant to the repayment and discharge thereof).

The Indenture will also provide that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See "*Description of the Notes—Security—Release*".

The rights of holders of Notes in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest. Such failure may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral which may have a material adverse effect on the ability of the holders of Notes to receive proceeds from any enforcement of the Collateral.

The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with Italian law.

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests in Italy. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected, amended, shared or recreated (as applicable). In addition, granting a shared security interest (including security interest in the Collateral) to secure existing, new or future indebtedness (such hedging obligations or any additional Notes) or the transfer or the assignment of a security interest may restart or reopen hardening periods in certain jurisdictions (including the Republic of Italy). In each instance, if the security interest granted, perfected or recreated were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void and/or it may not be possible to enforce it. "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*".

The granting of the security interests in the Collateral and the undertaking of a Permitted Reorganization may create hardening periods for such security interests in accordance with Italian law.

The granting of the security interests in the connection with the issuance of the Notes may create hardening periods for such security interests, see "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*". Additionally, if shareholders decide to affect the Permitted Reorganization as described under "*Description of the Notes—Permitted Reorganization*", there can be no assurances that this will not create new hardening periods for the Collateral. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective applicable hardening period, it may be declared void and/or it may not be possible to enforce it.

The contractual subordination of subordinated debt, including the Subordinated Shareholder Loan, may not be enforceable under Italian law.

The insolvency laws of Italy may not be as favorable to holders of the Notes as insolvency laws of jurisdictions with which investors may be familiar. In particular, the statutory priority given to creditors under the insolvency laws of the Republic of Italy may be different from that established in the United States, the United Kingdom and certain other EU jurisdictions. In Italy, neither a debtor nor the court can deviate from the rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on the equitable subordination principle. The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. As a consequence, among other things, contractual priority of payments, subordination arrangements, standstill/non-petition provisions and provisions relating to enforcement generally such as those provided in the Intercreditor Agreement, the Indenture and the Subordinated Shareholder Loan Agreement to benefit the Notes by establishing, *inter alia*, the priority of indebtedness between senior creditors and subordinated creditors may not be enforceable against the bankruptcy estate and/or the bankruptcy receiver of an Italian company, including the Issuer, in the context of Italian insolvency proceedings. Accordingly, there can be no assurance that, *inter alia*, the contractual priority afforded to the Notes in respect of the Subordinated Shareholder Loan will be enforceable by an Italian court, and the failure to enforce such provisions could materially and adversely affect the holders of the Notes.

The Notes will be structurally subordinated to the liabilities of our subsidiaries.

On the Issue Date, none of our subsidiaries will guarantee the Notes. For the year ended December 31, 2013, the Issuer's subsidiaries represented approximately 1% of our consolidated total revenue and −1% of our Adjusted EBITDA. As of December 31, 2013, the Issuer's subsidiaries represented 3% of our total assets. As of March 31, 2014, on an adjusted basis after giving effect to this Offering and the use of proceeds therefrom, our subsidiaries would have had no bank loan indebtedness. However, pursuant to the terms of the Indenture governing the Notes, non-guarantor restricted subsidiaries are permitted to incur structurally senior indebtedness, which may also be secured.

The agreements governing the Notes and the Revolving Credit Facility will, subject to specified limitations, permit our subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur.

Our subsidiaries will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer as a direct or indirect shareholder and the creditors of the Issuer (including the holders of the Notes) and the Issuer will have no right to proceed against the assets of such subsidiary. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

We may not be able to purchase the Notes upon a change of control, and certain events that might otherwise constitute a change of control may not trigger a requirement for us to offer to repurchase the Notes if at the time our consolidated leverage ratio is less than a certain specified level.

The Indenture will contain provisions relating to certain events constituting a change of our control. If a change of control (as defined in the Indenture) occurs, we will be required to make an offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest, liquidated damages and additional amounts in respect of taxes, if any, up to the repurchase date. If a change of control occurs, we cannot assure you that we will have sufficient funds to pay the purchase price for any Notes. A change of control would also trigger a mandatory prepayment of all amounts due under the Revolving Credit Facility. A change of control could trigger mandatory prepayment or an event of default under other indebtedness, including indebtedness that we may incur in the future. The source of funds for any repurchase required as a result of any such event will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets, sales of equity or funds provided by subsidiaries. Sufficient funds may not be available at the time of any such events to make any required repurchases of the Notes tendered.

Certain important corporate events that might adversely affect the value of the Notes (including certain reorganizations, restructurings, recapitalizations and mergers) would not constitute a change of control under the Indenture. For a complete description of the events that would constitute a change of control under the Notes, see "*Description of the Notes—Repurchase at the option of holders—Change of control*". Furthermore, the occurrence of certain events that might otherwise constitute a change of control under the Indenture will not be deemed to be a change of control if at the time our consolidated Leverage Ratio is less than certain specified levels. See "*Description of the Notes—Certain definitions—Specified Change of Control Event*".

The term "all or substantially all" in the context of a change of control has no clearly established meaning under the relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, we will be required to offer to repurchase all outstanding Notes. One of the ways a change of control can occur is upon a sale of all or substantially all our assets. With respect to the sale of assets referred to in the definition of "change of control" in the Indenture, the meaning of the phrase "all or substantially all" as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person and therefore it may be unclear whether a change of control has occurred.

The insolvency laws of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar.

The Issuer is incorporated and is likely to have its center of main interests under the laws of Italy. The insolvency laws of Italy may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. In particular, the Indenture and the Intercreditor Agreement could be limited in scope and effect by Italian courts to the extent its covenants and provisions, which are untested under Italian case law, could be considered to conflict with mandatory provisions of Italian law. In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. As a consequence, enforcement of rights under the Notes and the Collateral in an insolvency situation may be delayed and be complex and costly for creditors.

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes.

Although laws differ among various jurisdictions, under Italian fraudulent conveyance laws, a court could void the Notes or subordinate the claims thereunder to other claims against the Issuer if it was determined that the Issuer:

- issued the Notes with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for issuing the Notes, and, at the time thereof was insolvent or rendered insolvent by reason of issuing the Notes;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that the Issuer was solvent immediately after the issuance of the Notes. Furthermore, transactions featuring debt financings of distributions to shareholders (such as the issuance of the Notes) are largely untested in Italian courts. In particular, limited guidance is provided by case law and commentators as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Regardless of the standard that the court uses, we cannot be sure that the issuance of the Notes would not be voided or subordinated to our other debt. See "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*" for further information.

Under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests granted to secure the Notes could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*" for further information.

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective vis-à-vis creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the EU.

If challenged successfully, the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all the holders of the Notes with the vote of either 75% or 50% of the outstanding Notes.

The Indenture contains provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of the Notes—Meetings of holders of Notes,*" the majority required to pass an extraordinary resolution at any meeting of holders of the Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%) to bind all holders of the Notes, including holders of the Notes who did not attend and vote at the relevant meeting, and holders who vote in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact your rights as a holder of the Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one-half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and/or others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold would be reduced from 75% to 50%.

Relevant insolvency and administrative laws may not be as favorable to creditors, including holders of the Notes, as insolvency laws of the jurisdictions with which you are familiar, and may limit your ability to enforce your rights under the Notes and any potential future guarantees.

The Issuer is incorporated in Italy and, to the extent that the Notes may become guaranteed in the future, such potential future guarantors may be incorporated or organized in Italy or in jurisdictions other than Italy. Such potential future guarantors, along with some of our subsidiaries are subject to the insolvency laws of such jurisdictions. The insolvency laws of Italy and of such other jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States or other jurisdictions with which you are familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any potential future guarantors experience financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other. The application of these laws sets uncertainty on which particular jurisdiction's laws should apply and may adversely affect the enforceability of the obligations of the Issuer or any potential future guarantors.

Transfer of the Notes is restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the U.S. Securities Act. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and resales of the Notes within the United States and other countries comply with applicable securities laws.

You may be unable to sell your Notes if a trading market for the Notes does not develop.

The Notes are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.

We will apply to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, the Notes may not become or remain listed on that exchange or any other securities exchange. The Initial Purchasers have advised us that they intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and may discontinue any market making at any time at their sole discretion and without notice. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for similar yielding securities, interest rates and our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market for the Notes may not develop or be maintained.

You may have difficulty enforcing your rights against the Issuer and its directors and executive officers.

The Issuer is incorporated in Italy. All of the directors and executive officers of the Issuer are non-residents of the United States. Although the Issuer has submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on its directors and executive officers. In addition, as all of its assets and substantially all of the assets of their directors and executive officers are located outside of the United States you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, our local counsel have informed us that it is questionable whether a Italian court would accept jurisdiction and impose civil liability if proceedings were commenced in Italy predicated solely upon U.S. federal securities laws. See "*Service of process and enforcement of civil liabilities*".

We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature on July 15, 2019. The Revolving Credit Facility will mature in 2019. In addition, we will have approximately €5.2 million of indebtedness outstanding after giving effect to the Transactions that matures prior to the Notes and may in the future incur additional indebtedness which matures prior to the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

You may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which the investors measure the return on their investments.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and are currently held through Clearstream and Euroclear Bank SA/NV as operator of Euroclear. Interests in the global notes will trade in book entry form only, and Notes in definitive registered form, or Definitive Registered Notes, will be issued in exchange for Book Entry Interests only in very limited circumstances. Owners of Book Entry Interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream is the sole registered holder of the global notes representing the Notes and will be entered as such in the register of holders of the Notes maintained by the Registrar and the Issuer at its registered office. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to The Bank of New York Mellon, London Branch as Paying Agent, which then will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold Book Entry Interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of Book Entry Interests. Accordingly, if you own a Book Entry Interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of Book Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a Book Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all Book Entry Interests, if you own a Book Entry Interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-entry, delivery and form*".

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of "BBB-" or better from S&P and rating of "Baa3" or better from Moody's and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below "BBB-" from S&P and below a "Baa3" from Moody's, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain covenants—Suspension of certain covenants when Notes ruled investment grade*". If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

S&P and Moody's may assign a credit rating to the Notes. The rating may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by S&P and Moody's may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Issuer to comply with certain procedures.

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any capital gain on the Notes, will be subject to Italian tax laws and regulations. The Issuer is not liable to pay any additional amounts to holders of Notes if any withholding or deduction is required pursuant to Decree No. 239 or pursuant to Decree No. 461, except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Additional amounts*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a noteholder is resident for tax purposes in a white list country and such noteholder complies with certain certification requirements, there is no assurance that this will be the case. Moreover, noteholders will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

Market perceptions concerning the instability of the euro, the potential reintroduction of individual currencies within the Eurozone or the potential dissolution of the euro entirely, could negatively impact our business or our ability to refinance our liabilities, including the Notes.

Recent economic events affecting European economies have raised a number of questions regarding the stability and overall standing of the European Monetary Union. Credit risk in these countries and in other Eurozone countries could have a negative impact on our business. Concerns also remain regarding the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual euro member states. The departure or risk of departure from the euro by one or more Eurozone countries could have major negative effects on our existing contractual relations with our customers, and could adversely affect the Italian economy, where we generate all of our revenue. Any of these developments could affect our ability to refinance our liabilities, including the Notes, and have a significant negative impact on our business, financial condition and results of operations.

No assurance can be given that the listing of the Notes will be maintained or that such listing will satisfy the listing requirement of Article 32(8) of Italian Law Decree No. 83 of June 22, 2012 and Italian Legislative Decree No. 239 of April 1, 1996.

We intend to list the Notes on the ExtraMOT of the Borsa Italiana. No assurance can be given that the listing of the Notes will be maintained or that such listing will satisfy the listing requirement of Article 32(8) of Italian Law Decree No. 83 of June 22, 2012 and Decree No. 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to deductibility of interest expense and the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, inter alia, the listing requirement of the aforementioned legislation. In the event that the Notes will not remain listed or that such listing requirement is not satisfied, our ability to deduct interest expense related to the Notes could be adversely impacted. In addition, in such circumstances, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax (*imposta sostitutiva*) currently at a rate of 26% (increased from 20% with effect from July 1, 2014), and we would be required to pay additional amounts with respect to such withholding taxes such that beneficial owners receive a net amount that is not less than the amount that they would have received in the absence of such withholding. We cannot assure you that the Italian tax authorities will not interpret the applicable legislation to require that the listing be effective at closing and we cannot assure you that the listing can be achieved by the Issue Date. However, we intend to achieve the listing of the Notes on the Issue Date and do not, in any event, believe that the applicable legislation requires the listing of the Notes to be effective at closing to benefit from the provisions relating to deductibility of interest expense and exemption from application of withholding tax. The possible limitation on the deductibility of interest expense and the imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay additional amounts to noteholders could have a material adverse effect on our financial condition and results of operations.

Italian Law Decree No. 91 of June 24, 2014 ("**Decree No. 91**") provides that Decree No. 239 is applicable also to non-listed notes issued by a non-listed Italian company, held by "qualified investors" ("*investitori qualificati*" as defined by Article 100 of Legislative Decree No. 58 of February 24, 1998). Decree No. 91, which is currently in force, must be converted into a law within 60 days of June 24, 2014, and may be amended before such conversion into law.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of April 1, 1996 will be met by the relevant foreign intermediaries.

The regime provided by Decree No. 239 and in particular the exemption from withholding tax in principle granted to holders of the Notes resident in white list countries applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax Authorities under the procedures set for applying the exemption regime. See "*Tax considerations—Certain Italian tax considerations*".

The Notes will be issued with original issue discount for U.S. federal income tax purposes.

The Notes will be issued with original issue discount for U.S. federal income tax purposes. Accordingly, U.S. investors will generally be required to include the original issue discount in gross income for U.S. federal income tax purposes using the constant yield method, regardless of their regular method of accounting for U.S. federal income tax purposes. See "*Tax considerations—Certain U.S. federal income tax considerations*".

Use of proceeds

USE OF PROCEEDS

The gross proceeds from the offering of the Notes have been €148.5 million, while the net proceeds of the Notes have been €142.5 million, of which €77.5 million will be used to repay bank loans, €12.2 million will be used to partially repay the Subordinated Shareholder Loan, €27.8 million will be used to pay a distribution to our shareholders and €25.0 million will be used for general corporate purposes. We also expect to use approximately €6.0 million of the proceeds of the offering of the Notes to pay estimated fees and expenses to be incurred in connection with the Offering, including the Initial Purchasers' commissions. See "*Capitalization*" and "*Description of certain financing arrangements*".

SOURCES AND USES

The following table shows the sources and uses of funds related to the Offering and the use of proceeds therefrom assuming it had been completed on March 31, 2014. Actual amounts will vary from estimated amounts depending on several factors, including estimated costs, fees and expenses.

Sources of funds	(millions of €)	Uses of funds	
Notes offered hereby[(1)]	€148.5	Repayment of bank loans[(2)]	€ 77.5
		Partial Subordinated Shareholder Loan repayment	€ 12.2
		Distribution to shareholders	€ 27.8
		General corporate purposes	€ 25.0
		Transaction costs[(3)]	€ 6.0
Total sources	**€148.5**	**Total uses**	**€148.5**

(1) Reflects the proceeds from the issuance of the Notes.

(2) Includes (i) repayment of Term Loan A (€57.0 million), (ii) repayment of the Capital Expenditure Line (€20.0 million) and (iii) expected expenses to unwind certain hedging obligations (€0.5 million).

(3) Represents our estimate of fees and expenses in connection with or otherwise related to the Offering and the application of the proceeds therefrom, including underwriting fees and commissions, other financing fees, debt prepayment premiums, professional and legal fees, financial advisory fees and other transaction costs. Actual fees and expenses may differ.

Capitalization

The following table sets forth total net cash, financial liabilities and capitalization of the Issuer as of March 31, 2014 on a historical basis and as adjusted to give effect to the Offering and the use of proceeds therefrom as if such events had occurred on March 31, 2014. The historical consolidated financial information has been derived from our unaudited interim consolidated financial statements as of March 31, 2014 prepared in accordance with Italian GAAP included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Use of proceeds*", "*Management's discussion and analysis of financial condition and results of operations*", "*Description of certain financing arrangements*" and the consolidated financial statements and the accompanying notes of the Issuer appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to the Issuer's capitalization since March 31, 2014.

	As of March 31, 2014	
	Actual	As-Adjusted
	(in millions of €)	
Total net cash[1]	6.6	31.6
Financial liabilities		
Bank loans[2]	82.7	5.2
Revolving Credit Facility[3]	—	—
Notes offered hereby	—	150.0
Total financial liabilities	82.7	155.2
Shareholders' Funds	**246.7**	**206.7**
Subordinated Shareholder Loan	78.6	66.4[4]
Total Shareholders' Equity	168.1	140.3[5]
Total capitalization[6]	**329.4**	**361.9**

(1) Includes cash and cash equivalents, net of bank overdrafts of €4.6 million as of March 31, 2014. The increase in the "As-Adjusted" column reflects an increase of €25.0 million in cash from the issuance of the Notes to be available for general corporate purposes. See "*Use of proceeds*".

(2) Incudes the current and non-current portions of bank loans, together with accrued expenses related to interest and commissions on bank loans and the fair value of derivatives. The amount included is net of bank overdrafts of €4.6 million as of March 31, 2014, included in total net cash. See "*Management's discussion and analysis of financial condition and results of operations—Net financial indebtedness*".

(3) In connection with the Transactions, we will enter into our Revolving Credit Facility on or before the Issue Date. We do not expect any amounts to be drawn under the Revolving Credit Facility as of the Issue Date.

(4) Decrease in the amount outstanding under the Subordinated Shareholder Loan reflects the €12.2 million partial repayment (interest on the Subordinated Shareholder Loan will capitalize prior to and following the Issue Date, increasing the outstanding balance). See "*Use of proceeds*".

(5) Decrease in total shareholders' equity reflects the €27.8 million distribution to shareholders. See "*Use of proceeds*".

(6) Total capitalization is the sum of total financial liabilities and shareholders' funds.

Selected historical financial information and other data

The tables below include data extracted or derived from: (i) the unaudited interim consolidated financial statements as at March 31, 2014, and for the three months ended March 31, 2013 and 2014, (ii) our audited consolidated financial statements as at and for the year ended December 31, 2013 and the Issuer Period Financials and (iii) the Light Force Period Financials and the audited consolidated financial statements of Light Force as at and for the year ended December 31, 2011, all of which have been prepared in accordance with Italian GAAP.

Prospective investors should note that, with respect to the figures for the calendar year ended December 31, 2012, we have presented only the Light Force Period Financials (as of December 31, 2012 and for the period from January 1, 2012 to December 30, 2012). The Issuer elected, according to exceptions to the Italian GAAP consolidation rules, to not consolidate Light Force until the completion of the Merger on December 30, 2012. As a result, the Issuer Period Financials reflect the assets and liabilities of Light Force, the goodwill arising from the consolidation, the indebtedness incurred by the Issuer in order to consumate the Acquisition and the associated interest expense and other costs, but only include the operating results of Light Force for December 31, 2012, the calendar day immediately following the Merger and consolidation. For further information, see "*Presentation of financial information*" and "*Management's discussion and analysis of financial condition and results of operations—Key factors affecting our results of operations*".

Unless otherwise indicated, all financial information contained in this Offering Memorandum has been prepared in accordance with Italian GAAP. We have, however, condensed and renamed certain Italian GAAP line items in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP. Italian GAAP differs in certain respects from IFRS. For a discussion of the differences between Italian GAAP and IFRS see "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*" and "*Risk factors—Risks related to our business—We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS*".

The following tables should be read in conjunction with the information contained in "*Presentation of financial information*", "*Use of proceeds*", "*Capitalization*", "*Management's discussion and analysis of financial condition and results of operations*" and our consolidated financial statements and related notes included in this Offering Memorandum.

SUMMARY CONSOLIDATED STATEMENT OF INCOME:

	Light Force (LF)		Twin Set (TS)			
	For the year ended December 31,	For the period from January 1, to December 30,	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2011	2012	2013	2013	2014	2014
				(unaudited)		(unaudited)
	(in thousands of €)					
Revenue	117,755	144,501	177,701	58,631	70,167	189,237
Other Income and internally generated assets	1,609	1,105	2,328	361	540	2,507
Change in work in progress, semi-finished and finished product inventories	15,734	5,593	13,697	(8,915)	(14,559)	8,053
Purchase of raw materials, goods and changes in inventory	(53,161)	(53,460)	(72,800)	(12,634)	(12,498)	(72,664)
Cost of services	(42,874)	(44,211)	(54,118)	(16,622)	(17,814)	(55,310)
Rent	(3,791)	(5,001)	(7,523)	(1,701)	(2,493)	(8,315)
Personnel costs	(9,448)	(10,946)	(16,488)	(3,675)	(5,311)	(18,124)
Depreciation and Amortization	(2,371)	(2,969)	(17,654)	(3,902)	(4,699)	(18,451)
Write-downs of trade receivables	(1,314)	(594)	(1,320)	(300)	(400)	(1,420)
Provisions	(1,198)	(6)	(50)	—	(61)	(111)
Other operating costs	(495)	(752)	(1,170)	(139)	(396)	(1,427)
Operating Profit	**20,446**	**33,260**	**22,603**	**11,104**	**12,476**	**23,975**
Financial Income/ (Expenses)	(154)	(327)	(10,628)	(2,093)	(2,859)	(11,394)
Impairment of investments	(3,750)	—	—	—	—	—
Extraordinary Income/ (Expenses)	46	(1,241)	(1,600)	(190)	(101)	(1,511)
Profit Before Tax	**16,588**	**31,692**	**10,375**	**8,821**	**9,516**	**11,070**
Income Tax	(6,881)	(10,296)	(7,020)	(3,676)	(3,460)	(6,804)
Profit for the period	**9,707**	**21,396**	**3,355**	**5,145**	**6,056**	**4,266**
Profit/(loss) attributable to owners of the Group	9,704	21,385	3,360	5,168	6,058	4,250
Profit/(loss) attributable to non-controlling interests	3	11	(5)	(23)	(2)	16

SUMMARY CONSOLIDATED BALANCE SHEET DATA:

	Light Force	Twin Set		
	As of December 31,			As of March 31,
	2011	2012	2013	2014 (unaudited)
	(in thousands of €)			
Intangible assets (excluding goodwill)	6,688	43,565	50,809	54,290
Goodwill	3,578	206,833	204,660	202,856
Cash and cash equivalents	12,486	13,095	14,290	11,249
Total Assets	**108,294**	**355,208**	**385,604**	**399,789**
Total Shareholders' Equity	**39,393**	**151,630**	**162,002**	**168,058**
Total Liabilities	**68,901**	**203,578**	**223,602**	**231,731**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS:

	Light Force		Twin Set		
	For the year ended December 31,	For the period from January 1 to December 30,	For the year ended December 31,	For the three months ended March 31,	
	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
	(in thousands of €)				
Total net cash at the beginning of the period	10,865	4,146	12,056	12,056	13,708
Cash flow of the period	(6,719)	(1,756)	1,652	(9,223)	(7,098)
Cash flow provided by the Acquisition/ disposal of business	—	2,105	—	—	—
Cash flow provided by (used in) operating activities	(509)	7,704	20,086	(5,763)	(6,383)
Cash flow (used in) investing activities	(5,921)	(8,737)	(33,160)	(2,847)	(7,243)
Cash flow provided by (used in) financing activities	(289)	(2,828)	14,726	(613)	6,528
Total net cash at the end of the period	4,146	2,390	13,708	2,833	6,610

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 Light Force and the Issuer in the periods set forth below. This discussion should be read together with, and is qualified in its entirety by reference to the Issuer Period Financial Statements and Light Force Period Financial Statements prepared in accordance with Italian GAAP and the related notes thereto included elsewhere in this Offering Memorandum. 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. Italian GAAP differs in certain respects from IFRS. For a discussion of the differences between Italian GAAP and IFRS see "Annex A—Summary of certain differences between Italian GAAP as compared to IFRS" and "Risk factors—Risks related to our Business—We have not included IFRS financial information in this Offering Memorandum, and there may be differences between our financial position and our results of operations prepared in accordance with Italian GAAP and IFRS".

The following discussion should also be read in conjunction with "Presentation of financial information", and "Summary historical consolidated financial information and other data". A summary of our critical accounting policies that have been applied to these financial statements is set out below under the caption "—Critical accounting policies and estimates". The discussion in this section may contain forward looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Risk factors" and "Forward-looking statements".

The following section includes a discussion of our results of operations and performance with reference to non-GAAP financial measures. Such non-GAAP measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing non-GAAP measures with those of other companies. The information presented by 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 you should not consider them in isolation. See "Presentation of financial information—Non GAAP financial measures".

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: (i) the Issuer and its subsidiaries for periods and discussions corresponding to the Issuer Period Financial Statements and (ii) Light Force and its subsidiaries for periods and discussions corresponding to the Light Force Period Financial Statements prior to the Merger.

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 sold to our 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, contemporary attitude and is 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 attributes 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 relevant adjacent 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 eight 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, currently to girls aged 6-16, with plans to expand the line from girls aged six down to infants in late 2014. The remaining five product lines are complementary to our main apparel lines to 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 offering portfolio as awareness of our brand increased and customers began looking to Twin Set to satisfy all of their fashion needs.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Product and distribution channel mix

Our margins vary depending on the mix of sales among our product lines, the types of products that we sell and the distribution channels through which we sell our products. During the periods under review, we launched a number of new product lines. For example, since 2011, we launched the Bags/Accessories, Jeans, Le Coeur, Shoes and Beachwear/Lingerie product lines. New product lines can initially be less profitable than established product lines because of the period required before being able to benefit from economies of scale with respect to raw materials purchases and, where relevant, external production, logistics and other services. In addition, advertising expenses are often higher during periods in which product lines are launched.

Our margins may also vary according to the type of product sold. For example, margins on leather goods can be lower than margins on products made of cotton due to the relative costs of raw materials and labor.

The table below sets forth our revenue by product line.

Breakdown of revenue by product line	For the year ended December 31,			For the three months ended March 31,	
	2011	2012[(1)]	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
			(thousands of €)		
TS Main	81,118	88,887	94,250	29,890	31,734
Beachwear/Lingerie	6,169	13,496	19,645	6,123	8,556
Girl	66	6,747	11,899	3,837	6,643
Jeans	104	8,319	9,018	3,470	6,214
Bags/Accessories	—	197	12,308	4,137	6,190
Shoes	5,456	11,146	12,815	4,156	3,833
Le Coeur	—	3,040	5,169	1,862	2,257
Scee	9,752	11,565	11,295	5,026	4,484
Other	586	971	951	97	226
Twin Set Revenue	**103,251**	**144,368**	**177,350**	**58,598**	**70,137**
Other revenue[(2)]	14,504	133	351	33	30
Revenue	**117,755**	**144,501**	**177,701**	**58,631**	**70,167**

(1) 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 is €74 thousand. See "*Presentation of financial information*".

(2) Other revenue in 2011 relates primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012, 2013 and 2014 relates primarily to sales of raw materials, not used for internal production, to third parties.

Our margins may also 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 86.1%, 82.6% and 78.6% of Twin Set Revenue for the years ended 2011, 2012 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. See "*—Expansion through growth of our retail channel*".

The table below sets forth our revenue by distribution channel.

Breakdown of revenue by distribution channel	For the year ended December 31,			For the three months ended March 31,	
	2011	2012(1)	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
Wholesale channel	88,859	119,222	139,441	51,057	57,527
Retail channel (including online)	14,392	25,146	37,909	7,541	12,610
Twin Set Revenue	**103,251**	**144,368**	**177,350**	**58,598**	**70,137**
Other revenue(2)	14,504	133	351	33	30
Revenue	**117,755**	**144,501**	**177,701**	**58,631**	**70,167**

(1) 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*".

(2) Other revenue in 2011 relates primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012, 2013 and 2014 relates primarily to sales by us of raw materials, not used for internal production, to third parties.

Consolidation, optimization and selective expansion of our wholesale channel

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. Our wholesale revenue has grown at a CAGR of 25.3% from 2011 to 2013. This growth was primarily driven by the launch of a number of new product lines, which led to an increase in wholesale revenue and the expansion of our wholesale footprint in Italy and abroad.

The cost structure of our wholesale channel stabilizes our Reported EBITDA margins, as selling commissions to wholesale agents are a variable cost that rise and fall in line with wholesale revenue. Both prior to and since the Acquisition, our strategy has been to optimize our wholesale channel to maintain our strong margins, by increasing the total number of doors (particularly internationally), focusing on the most profitable partners in Italy and by introducing new business planning metrics internationally to selectively target wholesale partners whose profiles we believe are consistent with our brand position. For example, to consolidate our position with our best wholesale doors, we analyzed the performance of our existing selling agents and distributors and rewarded those that made large orders and operated high quality points of sale, such as multi-brand doors in Italy and leading department stores in Europe.

The table below sets forth our wholesale revenue by geography.

Breakdown of wholesale revenue by geography	For the year ended December 31,			For the three months ended March 31,	
	2011	2012(1)	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
Italy	57,832	77,476	88,777	34,116	39,946
Benelux	6,109	7,875	9,772	3,554	3,521
Spain	4,839	6,553	7,664	2,904	3,185
France	2,352	3,634	5,615	1,723	1,873
Russia	4,013	4,653	5,968	1,321	1,817
Germany	4,287	5,217	4,794	1,924	1,648
Other countries	9,427	13,814	16,851	5,515	5,537
Wholesale Revenue	**88,859**	**119,222**	**139,441**	**51,057**	**57,527**

(1) 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*".

The table below sets forth wholesale revenue by product line.

Breakdown of wholesale revenue by product line	For the year ended December 31,			For the three months ended March 31,	
	2011	2012(1)	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
TS Main	67,528	69,783	70,134	24,182	23,895
Beachwear/Lingerie	6,169	12,314	17,135	6,008	8,087
Girl	66	6,531	10,704	3,687	5,998
Jeans	104	7,561	7,428	3,274	5,408
Shoes	5,456	8,998	9,124	3,499	2,821
Bags/Accessories	—	167	9,968	3,878	5,285
Le Coeur	—	2,329	3,410	1,633	1,611
Scee	8,950	10,568	10,587	4,799	4,196
Other	586	971	951	97	226
Wholesale Revenue	**88,859**	**119,222**	**139,441**	**51,057**	**57,527**

(1) 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*".

Expansion through growth of our retail channel

Our results and our margins are affected by the total number of our directly operated stores, or DOS, and outlets (collectively, "retail points of sale"), as sales from our retail points of sale, and DOS in particular, typically generate lower Reported EBITDA margins compared to our wholesale distribution channel, as described above. 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 increased capital expenditures to outfit new retail stores, whereas payment of selling commissions to wholesale agents constitutes a variable cost in our operating cost structure that varies in line with revenue generated by our wholesale channel. In addition, in certain markets, key money is payable to landlords or former tenants in order to secure prime real estate locations for DOS. During the periods under review, we spent €38.5 million on expansion capital expenditures, primarily consisting of costs related to opening and outfitting new stores and key money payments. In addition, our larger retail store network has required increased maintenance capital expenditures, which increased from €1.0 million for the year ended December 31, 2011 to €3.4 million for the year ended December 31, 2013, primarily due to expenses related to the restyling of many of our DOS in 2013.

During the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our retail channel grew significantly due to the opening of new retail points of sale, particularly in 2012 and 2013 after the Acquisition. The growth and success of our retail channel has had a positive effect on our revenue. Our retail network growth 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. See "*—Key performance indicators—Like-for-like revenue performance of our retail DOS and outlets*" for a discussion of the performance of our DOS and outlets.

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

Retail points of sale	December 31,						March 31,	
	2011		2012		2013		2014	
	LF		TS		TS		TS	
	DOS	Outlet	DOS	Outlet	DOS	Outlet	DOS	Outlet
	(number of points of sale)							
Italy	12	6	18	10	27	10	27	10
Outside of Italy	—	—	—	—	2	—	3	—
Total retail point of sale	18		28		39		40	

During the periods under review, our retail points of sale network expanded from 18 retail points of sale as of December 31, 2011 to forty retail points of sale as of March 31, 2014 (30 DOS and 10 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.

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

Retail points of sale openings	For the year ended December 31,						For the three months ended March 31,	
	2011		2012		2013		2014	
	LF		TS		TS		TS	
	DOS	Outlet	DOS	Outlet	DOS	Outlet	DOS	Outlet
	(number of points of sale)							
Italy	2(1)	3(2)	6(1)	4(2)	9	—	0(1)	—
Outside of Italy	—	—	—	—	2	—	1	—
Total retail point of sale openings	5		10		11		1	

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

(2) Includes certain retail points of sale previously operated by third parties that were purchased by the Group.

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

Breakdown of retail revenue by sub-channel	For the year ended December 31,			For the three months ended March 31,	
	2011	2012[(1)]	2013	2013	2014
	LF	LF	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)				
DOS	10,047	14,762	25,209	4,379	8,925
Outlet	2,923	7,709	10,002	2,349	2,758
Online	1,422	2,675	2,698	813	927
Retail revenue	**14,392**	**25,146**	**37,909**	**7,541**	**12,610**

(1) 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*".

During the periods under review, the growth of our retail channel revenue was driven primarily by the development of our DOS network which contributed €25.2 million in revenue for the year ended December 31, 2013, an increase from €10.0 million for the year ended December 31, 2011. We also invested in our outlet store network, which contributed €10.0 million in revenue for the year ended December 31, 2013, compared to €2.9 million for the year ended December 31, 2011 due to the purchase of retail points of sale previously operated by third parties and improvement in like-for-like revenue performance. In addition, our online sub-channel contributed €2.7 million in revenue for the year ended December 31, 2013, compared to €1.4 million for the year ended December 31, 2011, due to the expansion of our online sub-channel in additional countries, our increased online customer base and web-based marketing initiatives. See also "*—Key performance indicators—Like-for-like revenue performance of our retail DOS and outlets*."

Fashion trends

Our revenue and margins can be impacted by changing fashion trends and the relative success of a particular collection. The success of a collection is attributable to a variety of factors, including the distinctiveness and attractiveness of the product or collection concept, pricing, perceived product quality and competition from other comparable collections. For each spring/summer and fall/winter pre-collection and collection, Simona Barbieri (the co-founder and Creative Director of our Group) works with our stylists and product developers to analyze the previous year's sales results in terms of quantity (i.e., sales and price figures by model and market) and quality (i.e., wearability, materials used, colors and technical characteristics). Our design team also develops look boards based on styles and motifs that have been most successful with consumers during the season. In addition, our creative office, the general manager and our merchandising and product development departments consult and provide feedback in the early stages of the collection design and development process. As a result of this performance-focused and interdisciplinary approach, our product offering is reviewed, updated and/or replaced based on the performance in the previous season.

Weather conditions

Our results of operations can be affected by periods of abnormal, inclement or unseasonal weather conditions, which can negatively impact revenue if footfall is decreased to our retail stores or if the relevant seasonal collection on offer is not appropriate for prevailing weather conditions. For example, during the first quarter of 2013, inclement weather resulted in a slow start to spring collection sales, which reduced growth for the three months ended March 31, 2013.

Seasonality

The apparel and accessories market in which we operate is subject to seasonal fluctuations in revenue. Revenue generated through our wholesale channel is typically concentrated in the first and third quarters of the year when our wholesale customers generally purchase inventory for their points of sale for the spring/summer and fall/winter collections, respectively. Revenue generated through our retail channel is, however, typically higher in the second and fourth quarters, corresponding to the periods in which our DOS typically sell our spring/summer and fall/winter collections respectively. During the periods under review, the relative proportion of retail channel revenue to Twin Set Revenue increased from 13.9% for the year ended December 31, 2011, to 21.4% for the year ended December 31, 2013.

As a consequence of the effects described above, Reported EBITDA and Reported EBITDA margin tend to be higher in the first and third quarters as a consequence of higher sales in our wholesale channel for the spring/summer and fall/winter collections respectively. Our fixed costs, including personnel costs, fixed leases, general and administrative expenses, are more evenly distributed over the course of the financial year. Because the revenue in our retail and wholesale channels are primarily generated in different quarters, we believe the increase in our retail channel relative to our wholesale channel will over time decrease the effect of this seasonality.

Macroeconomic conditions and industry environment

Our results of operations are affected by macroeconomic conditions in the markets in which we operate. Such conditions include, among others, levels of employment, inflation, growth in wages and discretionary spending, VAT rates and consumer confidence. We believe that due to its more affluent core customer base the affordable luxury segment is less sensitive to economic fluctuations than the mass-market segment. This is evidenced by continued segment growth in recent years despite overall economic sluggishness in Europe and, in particular, Italy.

During the periods under review, the Italian economy experienced difficult trading conditions and a certain degree of volatility due to economic uncertainty, which was compounded by political changes and successive caretaker and coalition governments. According to the Italian National Statistics Institute ("**ISTAT**"), year-over-year change in retail sales, though net positive for the second quarter of the year ended December 31, 2011, was negative thereafter. For the year ended December 31, 2012, year-over-year change in retail sales improved in the first quarter, but then was negative thereafter, a trend that continued until the third and fourth quarters of the year ended December 31, 2013, when there were momentary spikes in positive year-over-year changes. For the three months ended March 31, 2014, retail year-over-year changes were slightly negative in January and positive in each of February and March. Consumer confidence, another key metric affecting the retail sector, experienced a negative trajectory during the year ended December 31, 2011, from 105.9 in January 2011 to 91.6 in December 2011, deteriorated through the second quarter of 2012 to 85.3 in June 2012 and has since exhibited an upward trajectory to 101.1 in September 2013 and 101.7 in March 2014. However, despite difficult trading conditions and financial distress of certain other Italian apparel retailers as reported in the press, we have managed to grow our Italian revenue at a CAGR of 32% from 2011 to 2013 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.

Currency fluctuations

Our functional currency is the euro and the substantial majority of our revenue is denominated in euro, as a majority of our sales are made in Italy and other European Union countries that use the euro. Although our personnel and lease expenses are denominated in euro, a portion of our cost structure is denominated in U.S. dollars. Our U.S. dollar costs relate to our procurement and sourcing activities, especially in China and India, where we purchase both raw materials and finished goods. For the year ended December 31, 2013, 12.4% of our trade payables were denominated in U.S. dollars, though a majority of this exposure was covered by currency forward purchase contracts.

As a result of these U.S. dollar costs, we are exposed to transaction exchange rate risks. If the euro depreciates relative to the U.S. dollar, as was the case in 2012, this has the effect of increasing our costs relative to our revenue and reducing our operating profit, whereas the opposite is true if the euro appreciates relative to the U.S. dollar, though much of this effect was mitigated by currency forward purchase contracts.

FACTORS AFFECTING THE COMPARABILITY OF OUR RESULTS OF OPERATIONS

Impact of the disposal of Liviana Conti and Luciano Padovan

On July 18, 2012, Light Force's shareholders approved the spinoff of Liviana Conti and Luciano Padovan, two companies that operated apparel and accessory brands that had previously been held by Light Force as direct subsidiaries.

Liviana Conti was a revenue-generating business unit of Light Force for all periods prior to January 1, 2012, when it was excluded from our consolidated results and classified as an equity investment held for sale until its disposal on July 19, 2012. As a result of the reclassification of the Liviana Conti business unit, investors may find it difficult to compare certain items in our consolidated income statement and consolidated statement of financial position as of and for the year ended December 31, 2012 with the corresponding items as of and for the year ended December 31, 2011.

Luciano Padovan was not included in the scope of consolidation of the Group during the periods under review, as it was classified as an asset held for sale and was fully written off. However, due to onerous supply contracts entered into with Luciano Padovan, in the years ended December 31, 2011 and 2012, Luciano Padovan negatively affected our Reported EBITDA during those years. Our Adjusted EBITDA reflects adjustments made to exclude the non-recurring effect of these contracts.

Acquisition of the Group by the current shareholders and subsequent Merger between Light Force and Twin Set

The Issuer was originally formed on June 15, 2012 to facilitate the Acquisition, which was completed on July 25, 2012. However, despite the completion of the Acquisition, Light Force was not consolidated in the Issuer's financial statements until the Merger on December 30, 2012. We refer to the financial statements of the Issuer for this period in which Light Force's results of operations were not consolidated as the "Issuer Period Financials". As a consequence, the Issuer Period Financials only reflect the indebtedness and associated interest expense and other costs incurred by the Issuer to consummate the Acquisition, and do not reflect the operating results of Light Force for 2012, other than for the day of December 31, 2012, immediately following the Merger.

The acquisition of Light Force by our current shareholders and subsequent Merger into the Issuer affected the comparability of our results and operations and financial condition because the debt and the goodwill incurred in connection with the Acquisition increased our financial expenses and the amortization charges to our consolidated income statement. In addition, due to the timing of the Merger, one business day of operations is reported under the Issuer Period Financial from June 15 to December 31, 2012 rather than under the Light Force's results of operations for the period ended December 30, 2012.

As a result of the foregoing, prospective investors may find it difficult to compare our results of operations across the periods presented. Specifically, Twin Set's consolidated income statement and consolidated cash flow statement for the year ended December 31, 2013 cannot be directly compared with the corresponding statements of Light Force for the period ended December 30, 2012 because the amortization associated with the goodwill arising from the Acquisition has been included in the consolidated income statement and consolidated cash flow statement for the year ended December 31, 2013 of Twin Set and not in the comparable statements of Light Force as of and for the period ended December 30, 2012.

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 performance growth, Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin. Such indicators are not recognized measurements of financial performance under Italian GAAP. See "*Presentation of financial information—Non-GAAP financial measures*".

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 ten months and not substantially renovated in both periods and were not substantially renovated. 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, particularly with respect to directly operated stores.

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

	For the year ended December 31,			For the three months ended March 31,
Like-for-like revenue performance[(1)]	**2011**	**2012[(2)]**	**2013**	**2014**
	(% increase over prior period)			
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	12.0%

(1) 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. For more information, See "*Presentation of financial information—Non-GAAP financial measures*".

(2) 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 increased over the periods under review, by 12.0% for the three months ended March 31, 2014 as compared to the three months ended March 31, 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 our stores in first-tier cities in Italy, increased brand awareness and the launch of new product lines, including product lines with higher average prices, like shoes.

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. For more information, see "*Presentation of financial information—Non-GAAP financial measures*".

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, other items and the reported EBITDA of previously–consolidated entities.

We calculate Adjusted EBITDA Margin by dividing our Adjusted EBITDA by Twin Set Revenue for the relevant period. As shown in the table below, our Adjusted EBITDA Margin was substantially unchanged in 2011 and 2012, but decreased in 2013 and in the first quarter of 2014. This was primarily due to the impact of costs related to the launch of new collections and the expansion of our retail distribution channel (including new store openings), the greater proportion of the retail channel in total revenue compared to previous periods and costs related to the setup of central administrative functions to support our future growth revenue.

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012[(1)]	2013	2013	2014
	LF	LF	TS	TS	TS
	(thousands of €)				
Reported EBITDA	**22,817**	**36,229**	**40,257**	**15,006**	**17,175**
Non-recurring items included in raw material costs[(2)]	2,561	390	—	—	—
Non-recurring accruals[(3)]	900	—	50	—	61
Other items[(4)]	170	(9)	(103)	4	143
Reported EBITDA Twin Set for the period June 15, 2012 to December 31,2012	—	(144)	—	—	—
Reported EBITDA Liviana Conti[(5)]	(716)	—	—	—	—
Adjusted EBITDA	**25,732**	**36,466**	**40,204**	**15,010**	**17,379**
Adjusted EBITDA Margin[(6)]	*24.9%*	*25.2%*	*22.7%*	*25.6%*	*24.8%*

(1) Adjusted EBITDA margin for the year ended December 31, 2012 is calculated using the revenue of Light Force for the period ended December 30, 2012 plus the revenue of Twin Set included in its consolidated financial statements for the year ended December 31, 2012 corresponding to the one day of operations of the merged company Light Force. The criteria for determining Adjusted EBITDA 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. In particular, Adjusted EBITDA is calculated by us based on Reported EBITDA, which already excludes all of the extraordinary (income)/expenses presented in our consolidated results of operations. See "*Presentation of financial information—Non-GAAP financial measures*".

(2) Relates to the estimated impact of onerous supply contracts previously entered into with a former subsidiary of Light Force. See "*—Factors affecting the comparability of our results of operations—Impact of the disposal of Liviana Conti and Luciano Padovan*".

(3) For 2011, includes €0.5 million related to provisions for disputes with one landlord of a retail location, €0.2 million related to provision for disputes with four agents, and € 0.2 million for a dispute with one customer . For 2013, and for three months ended March 31, 2014, includes a provision for disputes with a former agent.

(4) 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, insurance refunds and gain/loss on disposal of assets.

(5) The Issuer sold its interests in Liviana Conti to Mo.Da on July 19, 2012. As of January 1, 2012, Liviana Conti was considered an "asset held for sale" and, consequently, from such date its results were not consolidated with those of either Light Force or the Issuer. Liviana Conti's 2011 Reported EBITDA is deducted in 2011 to make comparisons of Light Force's 2011 Reported EBITDA to the Reported EBITDA of other periods more meaningful.

(6) 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. See "*Presentation of financial information—Non-GAAP financial measures*".

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 functions 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 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 and, for the year ended December 31, 2011, revenue arising from the Group's former Liviana Conti business unit. Other revenue in 2011 relates primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012, 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 investors with 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 would instead be reviewed for impairment annually. See "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*" for additional information.

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

The following table sets forth the annual consolidated results of operations of Twin Set for the years ended December 31, 2013 and 2012, and Twin Set's predecessor entity, Light Force for the year ended December 31, 2011, the period ended December 30, 2012 as well as the unaudited consolidated results of operations of Twin Set for the three months ended March 31, 2013 and 2014.

	For the year ended December 31,		For the period from June 15 to December 31,	For the year ended December 31,	For the three months ended March 31,	
	2011	2012[(1)]	2012[(2)]	2013	2013	2014
	LF	LF	TS	TS	TS (unaudited)	TS (unaudited)
			(thousands of €)			
Revenue	117,755	144,501	74	177,701	58,631	70,167
Other income and internally generated assets	1,609	1,105	211	2,328	361	540
Change in work in progress, semi-finished and finished product inventories	15,734	5,593	(30)	13,697	(8,915)	(14,559)
Purchases of raw materials, goods and changes in inventory	(53,161)	(53,460)	—	(72,800)	(12,634)	(12,498)
Cost of services	(42,874)	(44,211)	(241)	(54,118)	(16,622)	(17,814)
Rent	(3,791)	(5,001)	(1)	(7,523)	(1,701)	(2,493)
Personnel costs	(9,448)	(10,946)	(153)	(16,488)	(3,675)	(5,311)
Depreciation and Amortization	(2,371)	(2,969)	(450)	(17,654)	(3,902)	(4,699)
Write-downs of trade receivables	(1,314)	(594)	—	(1,320)	(300)	(400)
Provisions	(1,198)	(6)	—	(50)	—	(61)
Other operating costs	(495)	(752)	(4)	(1,170)	(139)	(396)
Operating profit/(loss)	**20,446**	**33,260**	**(594)**	**22,603**	**11,104**	**12,476**
Financial income/(expenses)	(154)	(327)	(4,004)	(10,628)	(2,093)	(2,859)
Impairment of investments	(3,750)	—	—	—	—	—
Extraordinary income/(expenses)	46	(1,241)	1	(1,600)	(190)	(101)
Profit/(Loss) before tax	**16,588**	**31,692**	**(4,597)**	**10,375**	**8,821**	**9,516**
Income tax	(6,881)	(10,296)	2,507	(7,020)	(3,676)	(3,460)
Profit/(Loss) for the period	**9,707**	**21,396**	**(2,090)**	**3,355**	**5,145**	**6,056**
Net profit attributable to:						
Owners of the Group	9,704	21,385	(2,090)	3,360	5,168	6,058
Non-controlling interests	3	11	—	(5)	(23)	(2)

(1) 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*".

(2) The period from June 15 to December 31, 2012 corresponds to the results of operations of Twin Set from the establishment of the Issuer on June 15, 2012 to December 31, 2012 including one effective business day on December 31, 2012 related to the operations of Light Force subsequent to the Merger. See "*Presentation of financial information*".

	For the year ended December 31,			For the three months ended March 31,	
	2011	2012[1]	2013	2013	2014
	LF	LF	TS	TS	TS
	(thousands of €)				
Reported EBITDA[2]	22,817	36,229	40,257	15,006	17,175
Adjusted EBITDA[2]	25,732	36,466	40,204	15,010	17,379

(1) 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*".

(2) See "*—Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA margin*" for how we determine Reported EBITDA and Adjusted EBITDA.

Three months ended March 31, 2014 of Twin Set compared to the three months ended March 31, 2013 of Twin Set

The following table sets forth the financial information of Twin Set for the three months ended March 31, 2014 compared to the financial information of Twin Set for the three months ended March 31, 2013.

	For the three months ended March 31,					
	2013	% of revenue	2014	% of revenue	change	percentage change
	TS (unaudited)		TS (unaudited)			
	(thousands of €, except percentages)					
Revenue	58,631	100.0%	70,167	100.0%	11,536	19.7%
Other income and internally generated assets	361	0.6%	540	0.8%	179	49.6%
Change in work in progress, semi-finished and finished product inventories	(8,915)	(15.2)%	(14,559)	(20.7%)	(5,644)	63.3%
Purchase of raw materials, goods and changes in inventory	(12,634)	(21.5)%	(12,498)	(17.8)%	(136)	(1.1)%
Cost of services	(16,622)	(28.4)%	(17,814)	(25.4)%	1,192	7.2%
Rent	(1,701)	(2.9)%	(2,493)	(3.6)%	792	46.6%
Personnel costs	(3,675)	(6.3)%	(5,311)	(7.6)%	1,636	44.5%
Depreciation and Amortization	(3,902)	(6.7)%	(4,699)	(6.7)%	797	20.4%
Write-downs of trade receivables	(300)	(0.5)%	(400)	(0.6)%	100	33.3%
Provisions	—	—	(61)	(0.1)%	61	—
Other operating costs	(139)	(0.2)%	(396)	(0.6)%	257	184.9%
Operating profit	**11,104**	**18.9%**	**12,476**	**17.8%**	**1,372**	**12.4%**
Financial income/(expenses)	(2,093)	(3.6)%	(2,859)	(4.1)%	(766)	36.6%
Impairment of investments	—	—	—	—	—	—
Extraordinary income/ (Expenses)	(190)	(0.3)%	(101)	(0.1)%	89	(46.8)%
Profit before tax	**8,821**	**15.0%**	**9,516**	**13.6%**	**695**	**7.9%**
Income tax	(3,676)	(6.3)%	(3,460)	(4.9)%	216	(5.9)%
Profit for the period	**5,145**	**8.8%**	**6,056**	**8.6%**	**911**	**17.7%**
Net profit attributable to:						
Owners of the Group	5,168	8.8%	6,058	8.6%	890	17.2%
Non-controlling interests	(23)	—	(2)	—	21	(91.3)%

Revenue. Revenue increased by €11.5 million, or 19.7%, to €70.2 million for the three months ended March 31, 2014 from €58.6 million for the three months ended March 31, 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. In addition, during the first quarter of 2013, inclement weather resulted in a slow start to spring collection sales for the three months ended March 31, 2013 compared to sales for the first quarter of 2014.

The following table sets forth the breakdown of our revenue by distribution channel for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS	TS	% change
	(thousands of €, except percentages)		
Wholesale	51,057	57,527	12.7%
Retail (including online)	7,541	12,610	67.2%
Twin Set Revenue	**58,598**	**70,137**	**19.7%**
Other revenue[1]	33	30	(9.1)%
Revenue	**58,631**	**70,167**	**19.7%**

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

Wholesale. Wholesale revenue increased by €6.4 million, or 12.7%, to €57.5 million for the three months ended March 31, 2014 from €51.1 million for the three months ended March 31, 2013. This increase was primarily due to increased sales in Italy, where wholesale revenue increased €5.8 million, from €34.1 million for the three months ended March 31, 2013, to €39.9 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 €5.1 million, or 67.2%, to €12.6 million for the three months ended March 31, 2014, from €7.5 million for the three months ended March 31, 2013. This increase was primarily attributable to the expansion of our retail network, particularly the full period effect of the 11 stores opened in 2013 and the addition of one DOS during the course of the first quarter of 2014. Like-for-like revenue performance for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 increased by 12.0%, driven primarily by sales from our stores in first-tier cities in Italy and increased brand awareness. Online channel sales also contributed to strong retail channel results. As a percentage of Twin Set Revenue, retail revenue increased by 5.1 percentage points, to 18.0% for the three months ended March 31, 2014, from 12.9% for three months ended March 31, 2013.

The following table sets forth the breakdown of our revenue by geography for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS (unaudited)	TS (unaudited)	% change
	(thousands of €, except percentages)		
Italy	41,332	51,449	24.5%
Benelux	3,612	4,201	16.3%
Spain	2,962	3,364	13.6%
France	1,787	1,941	8.6%
Russia	1,322	1,817	37.4%
Germany	2,003	1,755	(12.4)%
Other countries	5,580	5,610	0.5%
Twin Set Revenue	**58,598**	**70,137**	**19.7%**
Other revenue[1]	33	30	(9.1)%
Revenue	**58,631**	**70,167**	**19.7%**

(1) 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 €10.1 million, or 24.5%, to €51.4 million for the three months ended March 31, 2014, from €41.3 million for the three months ended March 31, 2013. This increase was primarily driven by the expansion of our retail network and the full period effect of nine new DOS locations opened in Italy (of which three were in Rome and one each in Bologna, Bolzano, Milano, Padua, Udine and Verona) during the course of 2013. As a percentage of Twin Set Revenue, Italian sales increased by 2.9 percentage points, to 73.4% for the three months ended March 31, 2014, from 70.5% for three months ended March 31, 2013.

International. Compared to the three months ended March 31, 2013 revenue generated outside Italy increased across the board for the three months ended March 31, 2014, with the exception of Germany. Sales in Germany decreased by 12.4%, primarily due to a change in our wholesale agent in north Germany. The strong increase in revenue generated in Benelux of 16.3% from the first quarter of 2013 to the comparable period in 2014 was primarily driven by the contribution of two DOS opened in 2013 (our first DOS outside Italy) that were opened in Antwerp and Brussels, as well as by growth in wholesale revenue. Russia, Spain and France recorded strong revenue increases of 37.4%, 13.6% and 8.6%, respectively, driven primarily by the wholesale channel in these markets. In other countries, including in those Central and Eastern European markets, our Girl product line (launched at the end of 2012) was well-received, as was our beachwear and lingerie merchandise, and our results were relatively stable over the two periods in those markets.

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 €5.6 million, or 25.6%, to €27.1 million for the three months ended March 31, 2014 from €21.5 million for the three months ended March 31, 2013. As a percentage of revenue, this line item increased slightly by 1.8 percentage points, to 38.6% in the three months ended March 31, 2014, from 36.8% in the three months ended March 31, 2013. This increase was primarily due to increased costs associated with our Shoes product line and to a change in the mix of product lines sold.

	For the three months ended March 31,		
	2013	2014	% change
	(thousands of €, except percentages)		
Raw materials, supplementary materials, consumables and goods	12,660	14,200	12.2%
Change in raw materials, supplementary materials, consumables and goods	(26)	(1,702)	n.m.
Purchase of raw materials, goods and changes in inventory	**12,634**	**12,498**	**(1.1)%**
Change in work in progress, semi-finished and finished product inventories	8,915	14,559	63.3%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**21,549**	**27,057**	**25.6%**
% of revenue	*36.8%*	*38.6%*	

Cost of services. Cost of services increased by €1.2 million, or 7.2%, to €17.8 million for the three months ended March 31, 2014, from €16.6 million for the three months ended March 31, 2013. As a percentage of revenue, cost of services decreased by 3.0 percentage points, to 25.4% for the three months ended March 31, 2014 from 28.4% for the three months ended March 31, 2013, primarily due to the increased proportion of retail channel revenue for the period. Agent commissions (included in this line item) typically increase proportionally to the increase of sales in the wholesale channel, while the expansion of our retail points of sale network, and DOS in particular, implies higher costs mainly in the form of rent and personnel expenses (included in the line items below).

The table below sets forth the breakdown of costs of services for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	% change
	TS (unaudited)	TS (unaudited)	
	(thousands of €, except percentages)		
Agent commissions	4,289	4,913	14.5%
Marketing and advertising	3,490	3,699	6.0%
External works	3,829	3,452	(9.8)%
Logistics and transport	2,319	2,634	13.6%
Administrative	689	905	31.3%
Travelling expenses	194	384	97.9%
Insurance	414	366	(11.6)%
Other service costs	1,398	1,461	4.5%
Total costs of services	**16,622**	**17,814**	**7.2%**

The 7.2% increase in costs of services for the three months ended March 31, 2014 was primarily attributable to an increase in agent commissions and logistic and transport expenses of 14.5% and 13.6%, respectively. Logistics and transport costs increased by 13.6% from the three months ended March 31, 2013 to the three months ended March 31, 2014 to €2.6 million, primarily due to increased sales in the retail channel (where transport costs are typically higher relative to the wholesale channel). External works costs decreased 9.8% from the three months ended March 31, 2013, to the three months ended March 31, 2014, due to a decrease in externally-produced merchandise. Travel and administrative costs also increased due to our international expansion over the periods presented.

Rent. Rent increased by €0.8 million, or 46.6%, to €2.5 million for the three months ended March 31, 2014 from €1.7 million for the three months ended March 31, 2013. The increase in rent for the three months ended March 31, 2014 was primarily due to the opening of eleven DOS during the course of 2013, the full costs of which were reflected in full in the first quarter of 2014.

The table below sets forth the breakdown of rent for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS (unaudited)	TS (unaudited)	% change
	(thousands of €, except percentages)		
Rent expenses for shop, outlet and showrooms	1,409	2,212	57.0%
Rent expenses for headquarters	217	192	(11.5)%
Other rent expenses	75	89	18.7%
Total rent	**1,701**	**2,493**	**46.6%**

Personnel costs. Personnel costs increased by €1.6 million, or 44.5%, to €5.3 million for the three months ended March 31, 2014 from €3.7 million for the three months ended March 31, 2013. As a percentage of revenue, personnel costs increased by 1.3 percentage points to 7.6% for the three months March 31, 2014 from 6.3% for the three months ended March 31, 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 volume of business.

The table below sets forth the breakdown of personnel costs for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS (unaudited)	TS (unaudited)	% change
	(thousands of €, except percentages)		
Wages and salaries	2,671	3,924	46.9%
Social security contribution	829	1,141	37.6%
Employee severance indemnities	175	246	40.6%
Total personnel costs	**3,675**	**5,311**	**44.5%**

Depreciation and amortization. Depreciation and amortization increased by €0.8 million to €4.7 million for the three months ended March 31, 2014 from €3.9 million for the three months ended March 31, 2013. The increase in amortization and depreciation of €0.8 million for the three months ended March 31, 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 three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS (unaudited)	TS (unaudited)	% change
	(thousands of €, except percentages)		
Amortization of intangible fixed assets	3,648	4,294	17.7%
Depreciation of tangible fixed assets	254	405	59.4%
Total amortization and depreciation	**3,902**	**4,699**	**20.4%**

Other operating costs. Other operating costs increased by €0.3 million, to €0.4 million for the three months ended March 31, 2014 from €0.1 million for the three months ended March 31, 2013.

Operating profit. Operating profit increased by €1.4 million, or 12.4%, to €12.5 million for the three months ended March 31, 2014 from €11.1 million for the three months ended March 31, 2013. As a percentage of revenue, operating profit decreased by 1.1 percentage points to 17.8% for the three months ended March 31, 2014 from 18.9% for the three months ended March 31, 2013.

Financial income/(expenses). Financial expenses increased by €0.8 million to €2.9 million for the three months ended March 31, 2014 from €2.1 million for the three months ended March 31, 2013. The increase of €0.8 million for the three months ended March 31, 2014 was primarily due to the combined effect of the increase in interest expenses due to an increase in bank loans.

The table below sets forth the breakdown of financial expenses for the three months ended March 31, 2013 and 2014.

	For the three months ended March 31,		
	2013	2014	
	TS (unaudited)	TS (unaudited)	% change
	(thousands of €, except percentages)		
Other financial income	3	18	n.m.
Interest and other financial expenses	(2,489)	(2,697)	8.4%
Foreign exchange gains/(losses)	393	(180)	n.m.
Total financial income/(expenses)	**(2,093)**	**(2,859)**	**36.6%**

Income tax. Income tax decreased by €0.2 million, or 5.9%, to €3.5 million for the three months ended March 31, 2014 from €3.7 million for the three months ended March 31, 2013 resulting in an effective tax rate of 36.4% for the three months ended March 31, 2014, compared to an effective tax rate of 41.7% for the three months ended March 31, 2013.

Profit for the period. Profit for the period increased by €0.9 million, or 17.7%, to €6.1 million for the three months ended March 31, 2014, from €5.2 million for the three months ended March 31, 2013 due to the factors described above.

Year ended December 31, 2013 of Twin Set compared to the period ended December 30, 2012 of Light Force

The following table sets forth the financial information of Twin Set for the year ended December 31, 2013 compared to the financial information of Light Force for the period ended December 30, 2012. See "*—Factors affecting the comparability of our results of operations*".

	For the year ended December 31,					
	2012[(1)]	% of revenue	2013	% of revenue	change	percentage change
	LF		TS			
	(thousands of €, except percentages)					
Revenue	144,501	100.0%	177,701	100.0%	33,200	23.0%
Other income and internally generated assets	1,105	0.8%	2,328	1.3%	1,223	n.m.
Change in work in progress, semi-finished and finished product inventories	5,593	3.9%	13,697	7.7%	8,104	n.m.
Purchase of raw materials, goods and changes in inventory	(53,460)	(37.0)%	(72,800)	(41.0)%	19,340	36.2%
Cost of services	(44,211)	(30.6)%	(54,118)	(30.5)%	9,907	22.4%
Rent	(5,001)	(3.5)%	(7,523)	(4.2)%	2,522	50.4%
Personnel costs	(10,946)	(7.6)%	(16,488)	(9.3)%	5,542	50.6%
Depreciation and Amortization	(2,969)	(2.1)%	(17,654)	(9.9)%	14,685	n.m.
Write-downs of trade receivables	(594)	(0.4)%	(1,320)	(0.7)%	726	n.m.
Provisions	(6)	0.0%	(50)	0.0%	44	n.m.
Other operating costs	(752)	(0.5)%	(1,170)	(0.7)%	418	55.6%
Operating profit	**33,260**	**23.0%**	**22,603**	**12.7%**	**(10,657)**	**(32.0)%**
Financial income/(expenses)	(327)	(0.2)%	(10,628)	(6.0)%	(10,301)	n.m.
Impairment of investments	—	—	—	—	—	—
Extraordinary income/ (Expenses)	(1,241)	(0.9)%	(1,600)	(0.9)%	(359)	28.9%
Profit before tax	**31,692**	**21.9%**	**10,375**	**5.8%**	**(21,317)**	**(67.3)%**
Income tax	(10,296)	(7.1)%	(7,020)	(4.0)%	3,276	(31.8)%
Profit for the period	**21,396**	**14.8%**	**3,355**	**1.9%**	**(18,041)**	**(84.3)%**
Net profit attributable to:						
Owners of the Group	21,385	14.8%	3,360	1.9%	(18,024)	(84.3)%
Non-controlling interests	11	—	(5)	—	(17)	n.m.

(1) 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*".

Revenue. Revenue increased by €33.2 million, or 23.0%, to €177.7 million for the year ended December 31, 2013, from €144.5 million for the period ended December 30, 2012. This increase was primarily due to growth in sales, which was distributed across both our Italian and international markets (especially Benelux and France), the opening of new retail points of sales and like-for-like revenue growth. Sales from all of our product lines grew over the periods presented. The introduction of our Bags/Accessories product line was particularly successful, increasing from €0.2 million in 2012 to €12.3 million in 2013.

The following table sets forth the breakdown of our revenue by distribution channel for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012[(1)]	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
Wholesale	119,222	139,441	17.0%
Retail (including online)	25,146	37,909	50.8%
Twin Set Revenue	**144,368**	**177,350**	**22.8%**
Other revenue[(2)]	133	351	n.m.
Revenue	**144,501**	**177,701**	**23.0%**

(1) 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*".

(2) Other revenue in 2012 and 2013 relates primarily to sales by us of raw materials, not used for internal production, to third parties.

Wholesale. Wholesale revenue increased by €20.2 million, or 17.0%, to €139.4 million for the year ended December 31, 2013, from €119.2 million for the period ended December 30, 2012. This increase was primarily due to increased sales in international markets, in particular in the European Union outside of Italy. Although sales increased across all product lines over the periods presented, the introduction of our Bags/Accessories product line was the primary driver our strong growth in the wholesale channel, increasing from €0.2 million in 2012 to €10.0 million in 2013.

Retail (including online). Retail revenue increased by €12.8 million, or 50.8%, to €37.9 million for the year ended December 31, 2013, from €25.1 million for the period ended December 30, 2012. This increase was primarily attributable to the expansion of our retail network, particularly the full year effect of ten stores opened in 2012 and the opening of an additional eleven DOS during the course of 2013. Like-for-like revenue performance (DOS and outlets) for the year ended December 31, 2013, as compared to the period ended December 30, 2012, increased by 7.8%, driven by our stores in first-tier cities in Italy and increased brand awareness. As a percentage of Twin Set Revenue, retail revenue increased by 4.0 percentage points, to 21.4% for the year ended December 31, 2013 from 17.4% for the period ended December 30, 2012.

The following table sets forth the breakdown of our revenue by geography for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012[(1)] LF	2013 TS	% change
	(thousands of €, except percentages)		
Italy	101,416	124,994	23.2%
Benelux	8,080	10,585	31.0%
Spain	6,738	7,838	16.3%
France	3,927	5,816	48.1%
Russia	4,653	5,968	28.3%
Germany	5,546	5,051	(8.9)%
Other countries	14,008	17,098	22.1%
Twin Set Revenue	**144,368**	**177,350**	**22.8%**
Other revenue[(2)]	133	351	n.m.
Revenue	**144,501**	**177,701**	**23.0%**

(1) 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*".

(2) Other revenue in 2012 and 2013 relates primarily to sales, by us, of raw materials to third parties.

Italy. Revenue generated in Italy increased by €23.6 million, or 23.2%, to €125.0 million for the year ended December 31, 2013, from €101.4 million for the period ended December 30, 2012. This increase was primarily driven by the expansion of our retail network with nine new DOS locations opened in Italy (of which three were in Rome and one each in Bologna, Bolzano, Milan, Padova, Udine and Verona) during the course of 2013. As a percentage of Twin Set Revenue, Italy represented 70.5% of our revenue for the year ended December 31, 2013, relatively unchanged from 70.2% of revenue for the period ended December 30, 2012.

International. Revenue generated outside of Italy in 2013 increased in all markets in which we operate except for Germany, (primarily due to the change in our wholesale agent in north Germany). The increase in revenue generated in Benelux of 31.0% from 2012 to 2013 was primarily driven by wholesale revenue, as well as the contribution of two DOS opened in 2013 (our first DOS outside Italy), which were opened in Antwerp and Brussels. Other geographies with high increases in revenue from 2012 to 2013 were France (48.1)%, Russia (28.3)%, Spain (16.3)% and other countries (22.1%), driven primarily by wholesale revenue related to newly introduced product lines.

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 €11.2 million, or 23.5%, to costs of €59.1 million for the year ended December 31, 2013 from costs of €47.9 million for the period ended December 30, 2012. As a percentage of revenue, this line item was essentially flat over the two periods. The absolute increase in this line item was primarily due to increases in volumes and overall sales in 2013.

	For the year ended December 31,		
	2012[(1)]	2013	% change
	(thousands of €, except percentages)		
Raw materials, supplementary materials, consumables and goods	54,596	72,888	33.5%
Change in raw materials, supplementary materials, consumables and goods	(1,136)	(88)	(92.3)%
Purchase of raw materials, goods and changes in inventory	**53,460**	**72,800**	**36.2%**
Change in work in progress, semi-finished and finished product inventories	(5,593)	(13,697)	144.9%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**47,867**	**59,103**	**23.5%**
% of revenue	*33.1%*	*33.3%*	

(1) 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. See "*Presentation of financial information*".

Cost of services. Cost of services increased by €9.9 million, or 22.4%, to €54.1 million for the year ended December 31, 2013, from €44.2 million for the period ended December 30, 2012. As a percentage of revenue, cost of services remained stable at 30.5% for the year ended December 31, 2013 compared to 30.6% for the period ended December 30, 2012. The increase in costs of services for the year ended December 31, 2013 was primarily attributable to an increase in agent commissions and marketing and advertising expenses of 16.7% and 42.4%, respectively. Agent commissions increased proportionally to the increase in sales in the wholesale channel. Marketing and advertising expenses increased by 42.4% to support our expansion in both domestic and international markets, including through increased use of outdoor advertising compared to the previous year. External works expenses decreased by 0.2% for the year ended December 31, 2013 with their percentage of revenue decreasing to 7.6% for the year ended December 31, 2013, from 9.3% for the period ended December 30, 2012, due to a different mix of internally produced and commercialized products.

The table below sets forth the breakdown of costs of services for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012[(1)]	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
External works	13,496	13,466	(0.2)%
Agent commissions	9,645	11,259	16.7%
Marketing and advertising	7,368	10,495	42.4%
Logistics and transport	6,878	9,425	37.0%
Other service costs	3,413	4,558	33.5%
Administrative	2,113	2,842	34.5%
Insurance	835	1,019	22.0%
Travelling expenses	463	1,054	n.m.
Total costs of services	**44,211**	**54,118**	**22.4%**

(1) 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 costs of services on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €241 thousand. See "*Presentation of financial information*".

Rent. Rent increased by €2.5 million, or 50.4%, to €7.5 million for the year ended December 31, 2013 from €5.0 million for the period ended December 30, 2012. As a percentage of revenue, rent increased by 0.7 percentage points to 4.2% for the year ended December 31, 2013 from 3.5% for the period ended December 30, 2012. The increase in rent for the year ended December 31, 2013 was primarily due to the full year effect of ten DOS opened in 2012 and the opening of an additional eleven DOS during the course of 2013.

The table below sets forth the breakdown of rent for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012(1)	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
Rent expenses for shop, outlet and showroom	4,063	6,446	58.7%
Rent expenses for headquarters	773	793	2.6%
Other rent expenses	165	284	72.1%
Total rent	**5,001**	**7,523**	**50.4%**

(1) 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 rent on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €1 thousand. See "*Presentation of financial information*".

Personnel costs. Personnel costs increased by €5.6 million, or 50.6%, to €16.5 million for the year ended December 31, 2013, from €10.9 million for the period ended December 30, 2012. As a percentage of revenue, personnel costs increased by 1.7 percentage points to 9.3% for the year ended December 31, 2013, from 7.6% for the period ended December 30, 2012, primarily due to new hiring connected to expansion of our retail channel and additional support required by our general and administrative functions to support the growth of our business. The headcount at period end increased from 313 as of December 30, 2012 to 459 as of December 31, 2013, with the majority of such net increase reflecting a hires of retail employees at our expanding DOS network locations.

The table below sets forth the breakdown of personnel costs for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012(1)	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
Wages and salaries	7,980	12,113	51.8%
Social security contribution	2,395	3,574	49.2%
Employee severance indemnities	571	801	40.3%
Total personnel costs	**10,946**	**16,488**	**50.6%**

(1) As presented herein, the first column related to Light Force for 2012 refers to the period ended December 30, 2012 that did not include personnel costs of Twin Set for the period June 15, 2012 to December 31, 2012 of €153 thousand. See "*Presentation of financial information*".

Depreciation and amortization. Depreciation and amortization increased by €14.7 million to €17.7 million for the year ended December 31, 2013, from €3.0 million for the period ended December 30, 2012. The increase in amortization of €14.7 million for the year ended December 31, 2013 was primarily due to amortization of goodwill arising from the Acquisition. The increase in depreciation of tangible fixed assets reflecting a larger network of DOS (full year effect of store openings in 2012 and openings in 2013).

The table below sets forth the breakdown of depreciation and amortization for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012[(1)]	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
Amortization of intangible fixed assets[(2)]	1,771	15,783	n.m.
Depreciation of tangible fixed assets	1,198	1,871	56.2%
Total amortization and depreciation	**2,969**	**17,654**	**n.m.**

(1) As presented herein, the first column related to Light Force for 2012 refers to the period ended December 30, 2012 that did not include amortization and depreciation of Twin Set for the period June 15, 2012 to December 31, 2012 of €450 thousand. See "*Presentation of financial information*".

(2) As noted above, the increase in amortization and depreciation was primarily due to amortization of goodwill arising from the Acquisition. 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 from the treatment under IFRS, where goodwill would not be amortized, but rather would be reviewed for impairment annually. See "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*" for additional information.

Other operating costs. Other operating costs increased by €0.4 million, or 55.6%, to €1.2 million for the year ended December 31, 2013 from €0.8 million for the period ended December 30, 2012.

Operating profit. Operating profit decreased by €10.7 million, or 32.0%, to €22.6 million for the year ended December 31, 2013, from €33.3 million for the period ended December 30, 2012, primarily due to increased operating costs, despite the increase in total revenue and income. As a percentage of revenue, operating profit decreased by 10.3 percentage points to 12.7% for the year ended December 31, 2013, from 23.0% for the period ended December 30, 2012. The reduction in operating profit margin is mainly due to the increase in amortization and depreciation for goodwill arising from the Acquisition and the increases in rent and personnel costs to support the openings of new DOS.

Financial expenses. Financial expenses increased by €10.3 million to €10.6 million for the year ended December 31, 2013 from €0.3 million for the period ended December 30, 2012. This increase of €10.3 million for the year ended December 31, 2013, was primarily due to increased debt incurred as a result of the Acquisition, which increased our interest and other financial expenses. As a percentage of revenue, financial expenses increased by 5.8 percentage points to 6.0% for the year ended December 31, 2013 from 0.2% for the period ended December 30, 2012.

The table below sets forth the breakdown of financial expenses for the period ended December 30, 2012 of Light Force and the year ended December 31, 2013 of Twin Set.

	For the year ended December 31,		
	2012[(1)]	2013	
	LF	TS	% change
	(thousands of €, except percentages)		
Other financial income	378	150	(60.3)%
Interest and other financial expenses	(685)	(10,850)	n.m.
Foreign exchange gains/(losses)	(20)	72	n.m.
Total financial income/(expenses)	**(327)**	**(10,628)**	**n.m.**

(1) As presented herein, the first column related to Light Force for 2012 refers to the period ended December 30, 2012 did not include interest expenses of Twin Set for the period June 15, 2012 to December 31, 2012 of €4.0 million. See "*Presentation of financial information*".

Income tax. Income tax decreased by €3.3 million, or 31.8%, to €7.0 million for the year ended December 31, 2013, from €10.3 million for the period ended December 30, 2012. This decrease was primarily due to the reduction in taxable income during the period. Our effective tax rate changed from 32.5% for 2012 to 67.7% for 2013. This increase is primarily related to non-deductible amortization of goodwill related to the Acquisition. In addition, the effect of the period from June 15 to December 31, 2012 of Twin Set affected the comparability of the two periods as the tax benefit recognized on the tax losses incurred in such period, corresponding to an amount of €2.5 million, was not included in the income tax of Light Force for the period ended December 30, 2012.

Profit for the period. Profit for the period decreased by €18.0 million, or 84.3%, to €3.4 million for the year ended December 31, 2013, from €21.4 million for the period ended December 30, 2012, due to the factors described above.

Period ended December 30, 2012 of Light Force compared to the year ended December 31, 2011 of Light Force

The following table sets forth the financial information of Light Force for the period ended December 30, 2012 compared to the financial information of Light Force for the year ended December 31, 2011. See "—*Factors affecting the comparability of our results of operations*".

	For the year ended December 31,					
	2011	% of revenue	2012[(1)]	% of revenue	change	percentage change
	LF		LF			
	(thousands of €, except percentages)					
Revenue	117,755	100.0%	144,501	100.0%	26,746	22.7%
Other income and internally generated assets	1,609	1.4%	1,105	0.8%	(504)	(31.3)%
Change in work in progress, semi-finished and finished product inventories	15,734	13.4%	5,593	3.9%	(10,141)	(64.5)%
Purchase of raw materials, goods and changes in inventory)	(53,161)	(45.1)%	(53,460)	(37.0)%	299	0.6%
Cost of services	(42,874)	(36.4)%	(44,211)	(30.6)%	1,337	3.1%
Rent	(3,791)	(3.2)%	(5,001)	(3.5)%	1,210	31.9%
Personnel costs	(9,448)	(8.0)%	(10,946)	(7.6)%	1,498	15.9%
Depreciation and Amortization	(2,371)	(2.0)%	(2,969)	(2.1)%	598	25.2%
Write-downs of trade receivables	(1,314)	(1.1)%	(594)	(0.4)%	(720)	(54.8)%
Provisions	(1,198)	(1.0)%	(6)	0.0%	(1,192)	(99.5)%
Other operating costs	(495)	(0.4)%	(752)	(0.5)%	257	51.9%
Operating profit	**20,446**	**17.4%**	**33,260**	**23.0%**	**12,814**	**62.7%**
Financial expenses	(154)	(0.1)%	(327)	(0.2)%	(173)	112.3%
Impairment of investments	(3,750)	(3.2)%	—	—	3,750	(100.0)%
Extraordinary income/(expenses)	46	0.0%	(1,241)	(0.9)%	(1,287)	n.m.
Profit before tax	**16,588**	**14.1%**	**31,692**	**21.9%**	**15,104**	**91.1%**
Income tax	(6,881)	(5.8)%	(10,296)	(7.1)%	(3,415)	49.6%
Profit for the period	**9,707**	**8.2%**	**21,396**	**14.8%**	**11,689**	**n.m.**
Net profit attributable to:						
Owners of the Group	9,704	8.2%	21,385	14.8%	11,680	120.4%
Non-controlling interests	3	—	11	—	9	300.0%

(1) 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*".

Revenue. Revenue increased by €26.7 million, or 22.7%, to €144.5 million for the year ended December 31, 2012, from €117.8 million for the year ended December 30, 2011. This increase was due to sales growth distributed across both our domestic and international markets (especially Benelux, Spain, France and Asia), the opening of new retail points of sales and like-for-like revenue growth. The fashion trend of the "biker" boot for women was a strong driver in 2012, resulting in an increase in the Shoes product line from €5.5 million in 2011 to €11.1 million in 2012. In addition, several product lines introduced in 2011 (including Girl, Jeans and Le Coeur) produced strong sales in 2012.

The following table sets forth the breakdown of our revenue by distribution channel for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012[(1)]	% change
	(thousands of €, except percentages)		
Wholesale	88,859	119,222	34.2%
Retail (including online)	14,392	25,146	74.7%
Twin Set Revenue	**103,251**	**144,368**	**39.8%**
Other revenue[(2)]	14,504	133	n.m.
Revenue	**117,755**	**144,501**	**22.7%**

(1) 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*".

(2) Other revenue in 2011 relate primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012 relate primarily to our sales of raw materials, not used for internal production, to third parties. See "*—Factors affecting the comparability of our results of operations—Impact of the disposal of Liviana Conti and Luciano Padovan and Liviana Conti*".

Wholesale. Wholesale revenue increased by €30.3 million, or 34.2%, to €119.2 million for the period ended December 30, 2012, from €88.9 million for the year ended December 31, 2011. This increase was primarily due to increased sales in international markets, in particular in the European Union outside of Italy (Germany, Spain and France) and Russia. In Italy, wholesale revenue for 2012 were driven by expanding Beachwear/Lingerie and Bags/Accessories sales, and to a lesser extent, by SCEE Shoes and sales of our Girl and Jeans product lines introduced in 2011. As a percentage of Twin Set Revenue, wholesale revenue decreased slightly by 3.5 percentage points, to 82.6% for the period ended December 30, 2012 from 86.1% for the year ended December 31, 2011.

Retail (including online). Retail revenue increased by €10.7 million, or 74.7%, to €25.1 million for the period ended December 30, 2012, from €14.4 million for the year ended December 31, 2011. This increase was primarily attributable to the opening of ten new DOS (all in Italy) during the course of 2012. Like-for-like revenue performance (DOS and outlets) for the period ended December 30, 2012, as compared to the year ended December 31, 2011 increased by 6.5%, driven by our stores in first tier-cities in Italy, increased brand awareness and the launch of new product lines, including product lines with higher average prices, like Shoes. In addition, online channel sales positively contributed to retail channel results. As a percentage of Twin Set Revenue, retail revenue increased by 3.5 percentage points, to 17.4% for the period ended December 30, 2012, from 13.9% for the year ended December 31, 2011.

The following table sets forth the breakdown of our revenue by geography for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012(1)	% change
	(thousands of €, except percentages)		
Italy	71,692	101,416	41.5%
Benelux	6,235	8,080	29.6%
Spain	4,936	6,738	36.5%
Russia	4,014	4,653	15.9%
Germany	4,442	5,546	24.9%
France	2,426	3,927	61.9%
Other countries	9,506	14,008	47.4%
Twin Set Revenue	**103,251**	**144,368**	**39.8%**
Other revenue(2)	14,504	133	n.m.
Revenue	**117,755**	**144,501**	**22.7%**

(1) 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*".

(2) Other revenue in 2011 relates primarily to revenue generated by our former Liviana Conti business unit. Other revenue in 2012 relate primarily to sales by us of raw materials, not used for internal production, to third parties. See "*—Factors affecting the comparability of our results of operations—Impact of the disposal of Liviana Conti and Luciano Padovan*".

Italy. Revenue generated in Italy increased by €29.7 million, or 41.5%, to €101.4 million for the period ended December 30, 2012, from €71.7 million for the year ended December 31, 2011. This increase was primarily driven by the expansion of our retail network with ten new DOS locations opened in Italy during the course of 2012. As a percentage of Twin Set Revenue, Italy was essentially flat with an increase of 0.8 percentage points to 70.2% for the period ended December 30, 2012, from 69.4% for the year ended December 31, 2011.

International. Revenue generated outside of Italy increased in all markets in which we operated for the period ended December 30, 2012 as compared to the year ended December 31, 2011. This increase was driven by increases in wholesale revenue. During 2012, we specifically targeted Russia, China and the Middle East and a portion of the increase in wholesale revenue generated in those markets was a result of our efforts to promote our brand in such markets.

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 €10.5 million, or 27.9%, to €47.9 million for the year ended December 30, 2012, from €37.4 million for the year ended December 31, 2011. As a percentage of revenue, this line item increased slightly by 1.3 percentage points to 33.1% in the year ended December 31, 2012 from 31.8% in the year ended December 31, 2011. This increase was primarily due to costs associated with the launch of new collections, as smaller collections initially had not yet reached the economies of scale comparable to our established collections and to a change in the mix of product lines sold, particularly the increased sales in Shoes in 2012, which have relatively higher raw materials cost than other product lines.

	For the year ended December 31,		
	2011	2012[(1)]	% change
	(thousands of €, except percentages)		
Raw materials, supplementary materials, consumables and goods	54,828	54,596	(0.4)%
Change in raw materials, supplementary materials, consumables and goods	(1,667)	(1,136)	(31.9)%
Purchase of raw materials, goods and changes in inventory	**53,161**	**53,460**	**0.6%**
Change in work in progress, semi-finished and finished product inventories	(15,734)	(5,593)	(64.5)%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**37,427**	**47,867**	**27.9%**
% of revenue	*31.8%*	*33.1%*	

(1) 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.

Cost of services. Cost of services increased by €1.3 million, or 3.1%, to €44.2 million for the period ended December 30, 2012, from €42.9 million for the year ended December 31, 2011. As a percentage of revenue, cost of services decreased by 5.8 percentage points to 30.6% for the period ended December 30, 2012, from 36.4% for the year ended December 31, 2011, primarily due to the increased proportion of retail revenue for the period. Agent commissions (included in this line item) increase proportionally to increases in sales in the wholesale channel, while the expansion of our retail points of sale network, and DOS in particular, implies higher costs mainly in the form of rent and personnel (included in the line items below) in the retail channel.

The increase in costs of services for the period ended December 30, 2012 was primarily attributable the increase in agent commissions and logistics expenses, partially offset by a decrease in external works. Logistics and transport costs increased by 28.5% from €5.4 million for the year ended December 31, 2011 to €6.9 million for the period ended December 30, 2012, primarily due to increased revenue over the periods and the increase in our retail network. External works costs decreased 13.5% from the year ended December 31, 2011 to the period ended December 30, 2012 due to a different mix of internal and external production of our merchandise.

The table below sets forth the breakdown of costs of services for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012[(1)]	% change
	(thousands of €, except percentages)		
External works	15,597	13,496	(13.5)%
Agent commissions	8,703	9,645	10.8%
Marketing and advertising	7,114	7,368	3.6%
Logistics and transport	5,354	6,878	28.5%
Other service costs	3,008	3,413	13.5%
Administrative	1,877	2,113	12.6%
Insurance	745	835	12.1%
Traveling Expenses	476	463	(2.7)%
Total costs of services	**42,874**	**44,211**	**3.1%**

(1) 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 costs of services on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €241 thousand. See "*Presentation of financial information*".

Rent. Rent increased by €1.2 million, or 31.9%, to €5.0 million for the period ended December 30, 2012 from €3.8 million for the year ended December 31, 2011. As a percentage of revenue, rent increased by 0.3 percentage points to 3.5% for the period ended December 30, 2012, from 3.2% for the year ended December 31, 2011. The increase in rent for the period ended December 30, 2012 was primarily due to the opening of ten DOS during the course of 2012.

The table below sets forth the breakdown of rent for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012(1)	% change
	(thousands of €, except percentages)		
Rent expenses for shop, outlet and showrooms	2,876	4,063	41.3%
Rent expenses for headquarters	762	773	1.4%
Other rent expenses	153	165	7.8%
Total rent	**3,791**	**5,001**	**31.9%**

(1) 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 rent on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €1 thousand. See "*Presentation of financial information*".

Personnel costs. Personnel costs increased by €1.5 million, or 15.9%, to €10.9 million for the period ended December 30, 2012, from €9.4 million for the year ended December 31, 2011. As a percentage of revenue, personnel costs decreased by 0.4 percentage points to 7.6% for the period ended December 30, 2012 from 8.0% for the year ended December 31, 2011. The increase in personnel costs for the period ended December 30, 2012 was primarily due to new hiring connected to expansion of our retail channel and additional support required from our general and administrative functions to support the growth of the business. The headcount at period end increased from 259 as of December 31, 2011 to 313 as of December 30, 2012, with the majority of such net increase reflecting a hires of retail employees at our expanding DOS network locations.

The table below sets forth the breakdown of personnel costs for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012(1)	% change
	(thousands of €, except percentages)		
Wages and salaries	7,084	7,980	12.6%
Social security contribution	1,876	2,395	27.7%
Employee severance indemnities	488	571	17.0%
Total personnel costs	**9,448**	**10,946**	**15.9%**

(1) 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 personnel costs on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €153 thousand. See "*Presentation of financial information*".

Depreciation and amortization. Depreciation and amortization increased by €0.6 million, or 25.2%, to €3.0 million for the period ended December 30, 2012 from €2.4 million for the year ended December 31, 2011.

The table below sets forth the breakdown of depreciation and amortization for the years ended December 31, 2011 and the period ended December 30, 2012.

	For the year ended December 31,		
	2011	2012(1)	% change
	(thousands of €, except percentages)		
Amortization of intangible fixed assets	1,286	1,771	37.7%
Depreciation of tangible fixed assets	1,085	1,198	10.4%
Total amortization and depreciation	**2,371**	**2,969**	**25.2%**

(1) 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 amortization and depreciation on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was €450 thousand. See "*Presentation of financial information*".

The increase in amortization and depreciation for the period ended December 30, 2012 was primarily due to amortization of intangible assets related to key money reflecting a larger network of DOS.

Operating profit. Operating profit increased by €12.9 million, or 62.7%, to €33.3 million for the period ended December 30, 2012, from €20.4 million for the year ended December 31, 2011, primarily due to increased revenue and contained operating costs. As a percentage of revenue, operating profit increased by 5.6 percentage points to 23.0% for the period ended December 30, 2012 from 17.4% for the year ended December 31, 2011.

Income tax. Income tax increased by €3.4 million, or 49.6%, to €10.3 million for the period ended December 30, 2012, from €6.9 million for the year ended December 31, 2011. This increase was primarily due to an increase in taxable income. Our effective tax rate for 2012 was 32.5%, as compared to 41.5% for 2011. This increase was primarily due to non-deductible costs mainly related to the impairment of investments.

Profit for the period. Profit for the period increased by €11.7 million, or 120.4%, to €21.4 million for the period ended December 30, 2012, from €9.7 million for the year ended December 31, 2011 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity before the Transactions

Our cash requirements consist mainly of the following:

- operating activities, including our net working capital requirements;
- servicing our indebtedness and the indebtedness 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 and loans from shareholders.

As of March 31, 2014, our net financial indebtedness amounted to €76.1 million compared to €61.4 million as of December 31, 2013. As of March 31, 2014, we had cash and cash equivalents of €11.2 million as compared to €14.3 million as of December 31, 2013.

Liquidity following the Transactions

Following the completion of the Transactions, our primary sources of liquidity will consist of the following:

- a portion of the net proceeds of the Notes offered hereby;
- cash generated from our operating activities;
- uncommitted bilateral credit lines, invoice discounting and reverse factoring; and
- drawings under the Revolving Credit Facility.

As of March 31, 2014, as adjusted on a *pro forma* basis for the Transactions, our total debt would have been €155.2 million and we would have had total net cash of €31.6 million (assuming the Revolving Credit Facility was undrawn during the entire period). The Revolving Credit Facility will be undrawn at the closing of the Offering of the Notes. Subsequent to the issuance of the Notes, we expect to use internally generated cash flows and cash on hand to fund our retail expansion, while still maintaining approximately €20.0 million of cash on our balance sheet for liquidity purposes. See "*Forward-looking statements*".

We expect that following the Transactions, certain uncommitted bilateral lines will remain available to us, and we will continue to use them for short-term working capital loans, invoice discounting and letters of credit. We also expect to use reverse factoring to support selected suppliers. Invoice discounting refers to a type of short-term working capital financing common in the Italian market by which a company obtains cash advances from banks corresponding to amounts owed to the company under outstanding invoices from wholesale customers. Reverse factoring refers to one of our suppliers agreeing to immediate payment by a bank at a discount to face value of the invoice pursuant to which we agree to pay the bank back at a certain premium. We expect that invoice discounting and reverse factoring will continue to be an option available to us to manage our liquidity.

The Indenture and the Revolving Credit Facility Agreement will contain covenants that, among other things, will limit our ability and the ability of our restricted subsidiaries to: incur additional indebtedness; pay dividends on or make distributions in respect of capital stock or make certain other restricted payments or investments; enter into agreements that restrict distributions from restricted subsidiaries; sell or otherwise dispose of assets, including capital stock of restricted subsidiaries; enter into transactions with affiliates; create or incur liens; and merge, consolidate or sell substantially all of our assets. These covenants will be subject to important exceptions and qualifications. See "*Risk factors—Risks related to our indebtedness—We are subject to restrictive covenants under the Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business*".

For more information regarding our indebtedness and cash service requirements on our indebtedness following the Transactions, see "*Capitalization*," "*Description of certain financing arrangements*" and "*Description of the Notes—Certain covenants*".

We believe that the liquidity available to us is sufficient for our working capital requirements for at least the twelve months following the date of this Offering Memorandum.

CASH FLOW

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

	As of and for the year ended December 31,		As of and for the period from June 15 to December 31,	As of and for the year ended December 31,	As of and for the three months ended March 31,	
	2011	2012(1)	2012(2)	2013	2013	2014
	LF	LF	TS	TS	TS (unaudited)	TS (unaudited)
	(thousands of €)					
Total net cash at the beginning of the period(3)	**10,865**	**4,146**	**10**	**12,056**	**12,056**	**13,708**
Cash flow provided by the Acquisition/disposal of business	—	2,105	2,390	—	—	—
Cash flow provided by/(used in) operating activities	(509)	7,704	6,507	20,086	(5,763)	(6,383)
Cash flow (used in) investing activities	(5,921)	(8,737)	(280,320)	(33,160)	(2,847)	(7,243)
Cash flow provided by/(used in) financing activities	(289)	(2,828)	283,469	14,726	(613)	6,528
Cash flow from the period	**(6,719)**	**(1,756)**	**12,046**	**1,652**	**(9,223)**	**(7,098)**
Total net cash at the end of the period(3)	**4,146**	**2,390**	**12,056**	**13,708**	**2,833**	**6,610**

(1) 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*".

(2) The period from June 15 to December 31, 2012 corresponds to the results of operations of Twin Set from the establishment of the Issuer on June 15, 2012 to December 31, 2012 and for purposes of the consolidated income statement includes one effective business day on December 31, 2012 related to the operations of Light Force subsequent to the Merger. See "*Presentation of financial information*".

(3) Includes cash and cash equivalents net of bank overdrafts.

Cash flow provided by/used in operating activities

Cash flow used in operating activities was €6.4 million for the three months ended March 31, 2014 and €5.8 million for the three months ended March 31, 2013. This decrease was driven by a net working capital cash outflow that more than offset the positive cash flow due to the improved Reported EBITDA. The increase in cash flow used for financing net working capital was driven by a significant increase in trade receivables due to increased business volumes, especially in the wholesale channel, which were partially offset by a positive cash flow related to the reduction in inventory and to an increase of trade payables.

Cash flow provided by operating activities was €20.1 million for the year ended December 31, 2013 of Twin Set and €7.7 million for period ended December 30, 2012 of Light Force. Cash flow provided by operating activities for the year ended December 31, 2013 was driven by improved Reported EBITDA, partially offset by net working capital cash outflow. In addition, the cash flow from June 15 to December 31, 2012 of Twin Set affected the comparability of the two periods, as the cash flow provided by operating activities (equal to €6.5 million) was not included in the cash flow of Light Force for the period ended December 30, 2012.

Cash flow used in operating activities, equal to €0.5 million for the year ended December 31, 2011, was affected by a significant level of net working capital connected to the high growth in revenue. This effect completely offset the positive cash flow connected with Reported EBITDA.

Cash flow used in investing activities

Cash flow used in investing activities was €7.2 million for three months ended March 31, 2014 and €2.8 million for the three months ended March 31, 2013. Cash flow used in investing activities in both periods mainly related to capital expenditures for new DOS (mainly France and Italy) as part of our retail channel expansion strategy.

Cash flow used in investing activities was €33.2 million for the year ended December 31, 2013 of Twin Set, €8.7 million for the period ended December 30, 2012 of Light Force and €5.9 million for year ended December 31, 2011 of Light Force. The increase in investing activities for the three years period is primarily related to the capital expenditure for the new DOS openings, mainly in Italy.

Cash flow used in investing activities shown in the Twin Set financial statements for the year ended December 31, 2012, relates to the acquisition of Light Force as described under "—*Factors Affecting the Comparability of our Results of Operations—Acquisition of the Group by the current shareholders and subsequent Merger between Light Force and Twin Set*".

Cash flow used in financing activities

Cash flow provided by financing activities was €6.5 million for the three months ended March 31, 2014, while cash flow used by financing activities was €0.6 million for the three months ended March 31, 2013. Cash flow provided by financing activities for the three months ended March 31, 2014 was mainly related to the financial resources provided by banks in order to finance capital expenditures through the drawing of €7.0 million under our Capital Expenditure Line. Cash flow used by financing activities on the three months ended March 31, 2013 was related to the repayments of minor bank loans.

Cash flow provided by financing activities was €14.7 million for the year ended December 31, 2013 of Twin Set, and represents the net effect of the financial resources provided by banks (€13.0 million) and shareholders (€7.0 million) for the payment of the earn out in connection with the Acquisition, as well as, bank loan repayments (€5.3 million).

Cash flow used in financing activities was €2.8 million for the period ended December 30, 2012 of Light Force, and relates to financial resources used for a repayment of bank loans in the amount of €1.0 million and for €1.8 million in interest on Existing Credit Facilities paid on behalf of Twin Set before the Merger.

Cash flow provided by financing activities for the year ended December 31, 2012 of Twin Set was €283.5 million and mainly related to financial resources provided by the Existing Credit Facilities (€60.0 million), Subordinated Shareholder Loan (€70.0 million) and increase in capital (€153.7 million) in connection with the Acquisition as described in "—*Factors Affecting the Comparability of Our Results of Operations—Acquisition of the Group by the current shareholders and subsequent Merger between Light Force and Twin Set*".

Cash flow used in financing activities was €0.3 million for the year ended December 31, 2011 of Light Force, and related to the dividend paid to the shareholders.

CAPITAL EXPENDITURES

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

	For the year ended December 31,				For the three months ended March 31,
	2011	2012	2012	2013	2014
	LF	LF[1]	TS	TS	TS
	(thousands of €)				
Expansion	7,311	4,849	—	20,513	5,786
Maintenance	963	1,235	—	3,371	596
One-off	—	252	—	2,470	882
Total operating capital expenditures	**8,274**	**6,336**	**—**	**26,354**	**7,264**
Acquisition-related	—	2,735	235,280	—	—
Total capital expenditures	**8,274**	**9,071**	**235,280**	**26,354**	**7,264**

(1) 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 fiscal year of Light Force was shorted by one business day. See "—*Presentation of financial information*".

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, 27 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 the year ended December 31, 2012 Acquisition-related capital expenditures refer to purchase price allocations following the Acquisition.

We estimate that our capital expenditures in 2014 will increase approximately 15% to 20% compared to 2013, due primarily to investments undertaken in IT systems and our new headquarters.

OPERATING WORKING CAPITAL

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

	As of and for the year ended December 31,			As of and for the three months ended March 31,
	2011[1]	2012	2013	2014
	LF	TS	TS	TS
	(thousands of €)			
Inventory	36,025	39,844	53,629	40,772
Trade Receivables	38,655	38,070	44,499	74,782
Trade Payables	(34,785)	(36,390)	(51,320)	(42,800)
Operating Working Capital[2]	**39,895**	**41,524**	**46,808**	**72,754**

(1) Includes the operating working capital of Liviana Conti (€3.4 million).

(2) 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.. See "*Presentation of financial information—Non-GAAP financial measures*".

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

During the periods under review, operating working capital increased in line with the expansion of our business activities. Operating working capital was €39.9 million as of December 31, 2011, €41.5 million as of December 31, 2012 and €46.8 million as of December 31, 2013.

Operating working capital as of March 2014 was €72.8 million with an increase of €26.0 million as compared to December 31, 2013. The increase is related to the increase in trade receivables due to the seasonality effect of sales in the wholesale channel during the first three months of the year when our customers purchase large volumes of products for the spring/summer collection.

NET FINANCIAL INDEBTEDNESS

The following table sets forth our net financial indebtedness as of December 31, 2011, 2012, 2013 and as of March 31, 2014.

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	LF	TS	TS	TS
	(thousands of €)			
Cash and cash equivalents	12,486	13,095	14,290	11,249
Bank overdrafts	(8,340)	(1,039)	(582)	(4,639)
Total net cash	**4,146**	**12,056**	**13,708**	**6,610**
Bank loans—current portion[1]	2,716	5,476	10,145	11,132
Bank loans—non-current portion	5,733	61,324	65,009	71,536
Bank loans	**8,449**	**66,800**	**75,154**	**82,668**
Net financial indebtedness[2]	**4,303**	**54,744**	**61,446**	**76,058**
of which:				
Net financial indebtedness—current portion	*(1,430)*	*(6,580)*	*(3,563)*	*4,522*
Net financial indebtedness—non-current portion	*5,733*	*61,324*	*65,009*	*71,536*

(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 €78.6 million as of March 31, 2014.

Net financial indebtedness increased by €14.7 million to €76.1 million as of March 31, 2014, from €61.4 million as of December 31, 2013. This increase is mainly related to the financing provided by banks to support our capital expenditures in connection with the expansion of our retail channel. The increase of the current portion of net financial indebtedness is related to the financing of high levels of operating working capital through debt incurrence in the first three months of 2013 due to the seasonality effect of sales generated by the wholesale channel.

Net financial indebtedness increased by €6.7 million to €61.4 million as of December 31, 2013 from €54.7 million as of December 31, 2012, mainly due to bank financing drawn to support capital expenditures incurred to expand our DOS network.

Net financial indebtedness increased by €50.4 million to €54.7 million as of December 31, 2012 from €4.3 million as of December 31, 2011. This increase was mainly due new loans related to Acquisition.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments that we will be obligated to make as of March 31, 2014, on an as-adjusted basis after giving effect to the Transactions. 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/Outlet, 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[(1)]	6.0	29.8	9.4	**45.2**
Rent and operating leases commitments for Showroom[(1)]	0.3	0.6	—	**0.9**
Rent and operating leases commitments for Civil and Industrial Buildings[(1)]	0.4	1.9	0.3	**2.6**
Rent and operating leases commitments related to Tessitura Sidoti S.r.l.[(1)]	0.2	0.5	—	**0.7**
Total	**6.9**	**32.8**	**159.7**	**199.4**

(1) 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 Issuer 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 March 31, 2014
	(€ in millions)	
Outlet rental guarantees	3.4	3.5
Derivatives	0.7	0.6
Total	**4.1**	**4.1**

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following section discusses the main accounting policies applied in the preparation of our consolidated financial statements. Our consolidated financial statements have been prepared in accordance with Italian GAAP and are dependent on the application of various estimates and assumptions. Such assumptions or estimates are based on our historical experience and currently available information. Actual results may differ significantly from such estimates in light of the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Management reviews estimates and assumptions on an ongoing basis and may modify these assumptions and estimates as appropriate. Therefore, the results of operations and financial position as reported in our consolidated financial statements may change significantly. The following is a discussion of what management believes to be the accounting policies which are most dependent upon the application of estimates and assumptions.

Impairment of assets

We periodically check the recoverability of the carrying amount of intangible assets, goodwill and property, plant and equipment in order to determine whether there is any indication that these assets have been impaired. If there is any such indication, the carrying amount of the asset is reduced to the related recoverable amount.

If, subsequently, the impairment recorded for an asset (other than goodwill) no longer applies or decreases, the carrying amount of the asset is increased up to the new estimate of recoverable value without exceeding the amount that would have been determined if no impairment had been recorded.

Inventories

Inventory is measured at the lower of weighted average cost and estimated realizable value as indicated by market performance, with account taken of any write-offs. Cost includes direct and indirect costs and related charges insofar as they can be reasonably allocated to inventory.

Obsolete or slow moving inventory is written off based on its possibility of use or realization by creating a specific allowance which directly reduces the value of the corresponding asset. Write-offs made in order to bring cost into line with market value are reversed in future periods if the reason for the write-off ceases to exist.

Trade receivables

Trade receivables are recorded in the consolidated financial statements at their estimated realizable value, represented by their nominal value adjusted for any impairment through the creation of a specific bad debt provision. The amount of the provision depends on the size of the risks relating to specific debts and debts that are overdue by specific lengths of time.

Use of estimates

The preparation of the consolidated financial statements and related notes in application of Italian GAAP require the management to use estimates and assumptions that affect the values of the assets and liabilities of the financial statements and the information relating to the contingent balance sheet assets and liabilities. The estimates and assumptions used are based on past experience and other factors that are considered to be relevant. The actual results could therefore differ from such estimates. The estimates and assumptions are reviewed periodically and the effects of each change is reflected in the income statement in the period in which the estimate is revised if the estimate affects only that period or in subsequent periods if the revision affects both the current year and future years. The use of estimates and assumptions mainly regards the inventory provision, bad debt reserve and provisions for risks and charges.

Consolidation criteria

We consolidated all investments in subsidiaries from the date when control is obtained. However Italian GAAP provides for some exceptions to this general rule. See "*Annex A—Summary of certain differences between Italian GAAP as compared to IFRS*". In accordance with these exceptions, we fully consolidated Light Force from the date of the Merger (December 30, 2012) rather than from the date of Acquisition. See "*Presentation of financial information*" and the consolidated financial statements of the Issuer as of and for the period June 15, 2012 to December 31, 2012 included beginning on page F-3 for further information.

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.

Exchange rate risk

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 December 31, 2013, out of an overall level of commercial payables of €51.3 million, 12.4% (corresponding to €6.4 million) related to purchases in U.S. dollars. Our policy is to engage in derivative transactions in order to mitigate exchange rate risks. Exchange rate hedging operations as of December 31, 2013 amounted to $23.5 million, for a total value of €17.5 million and comprise flexible forward operations; they represent approximately 78% expected cash flows for purchases in U.S. dollars for 2014. See "*—Key factors affecting our results of operations—Currency fluctuations*".

Credit risk

We are subject to exposure to potential losses resulting from a default by commercial counterparties, especially with respect to our wholesale channel which represented 78.6% of our Twin Set Revenue for the year ended December 31, 2013. 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 in 2013 were 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 singular counterparty.

With respect to financial institutions and our cash deposits, we have a policy of favoring 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 drawings under our Capital Expenditure Line to provide funds required for investments in capital expenditures and operations, and we have relied on letters of credit granted by financial institutions to facilitate our purchasing activities in the markets where we source and contract to manufacture our merchandise. Following the Transactions, a portion of the proceeds of the Notes offered hereby and drawings our Revolving Credit Facility will sustain our liquidity needs over the medium-term.

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 variety of delivery dates that vary based on 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 under our indebtedness that are linked to EURIBOR, such as our indebtedness under the Notes and the Revolving Credit Facility Agreement. We may manage our interest expense rate risk through an interest swap arrangement that would hedge approximately 50% of our exposure.

Industry

Certain information set forth in this section has been derived from external sources, including from a commissioned report prepared by a leading third-party management consultancy and a study by Euromonitor. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of the information contained in industry publications is not guaranteed. We have not independently verified these market data. Forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk factors" and "Forward-looking statements."

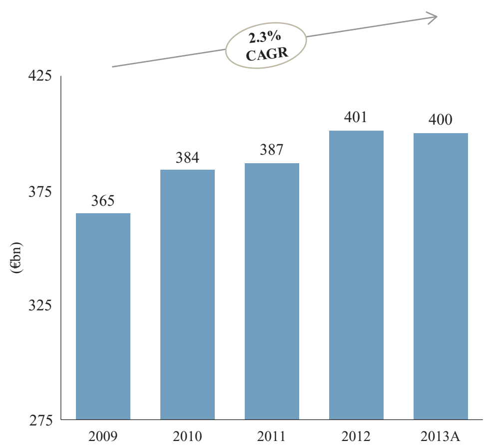
WOMEN'S APPAREL MARKET AND THE AFFORDABLE LUXURY SEGMENT

We are a fast-growing women's clothing brand focused on the affordable luxury segment of the women's apparel market with a presence across a variety of categories through our "total look" product offering. From 2011 to 2013 we derived over 85% of our Twin Set Revenue from Europe and more than two-thirds from Italy.

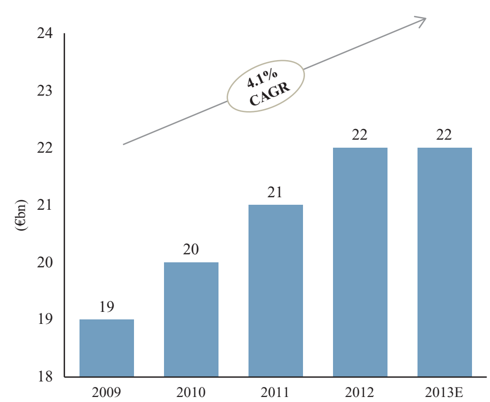
According to Euromonitor, the value of the global apparel market was €1,288 billion in 2013. Despite the global downturn, it grew at a CAGR of 6.0% from 2009 to 2013 and has seen strong post-crisis growth led by emerging market consumers. According to a leading management consultancy, the European apparel market had a value of €400 billion in 2013 and grew at a CAGR of 2.3% between 2009 and 2013. The European women's apparel market is approximately 80% larger than men's apparel with a value of €170 billion in 2013, while the share of women's apparel of the total European apparel market has remained steady over the last five years.

Our primary market is the affordable luxury segment of the European women's apparel market. This segment had a value of €22.4 billion in 2013 and grew at a CAGR of 4.1% from 2009 and 2013, which compares to a CAGR of 2.3% in the total European apparel market.

European apparel market

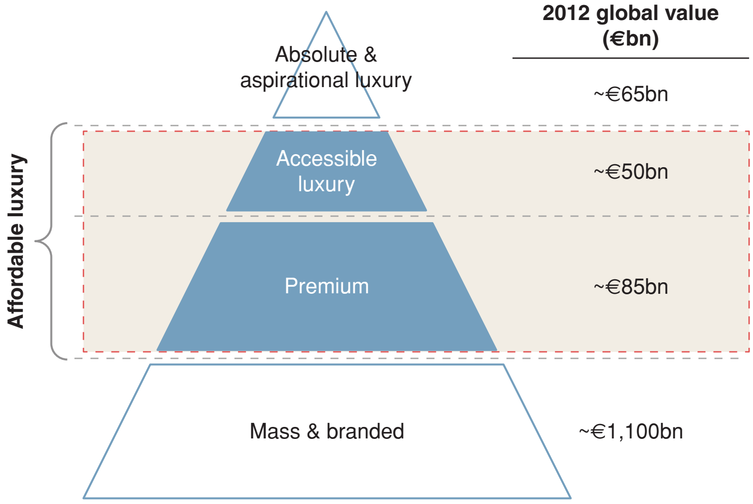


European affordable luxury market



Source: Euromonitor, sector research

The affordable luxury segment is positioned between the luxury and mass-market apparel segments. It is characterized by a combination of distinctive style, design and high-quality products that respond to consumer desires for differentiation and exclusivity but at affordable price points. In addition, affordable luxury players typically use aspirational advertising and distinctive retail store concepts, similar to luxury players. As luxury brands increasingly shift to the absolute luxury segment, affordable luxury players are filling this space and gaining market share. In Western Europe, the growth of the segment is partly attributed to the population's increasing median age and the associated higher disposable income. Additionally, the affordable luxury segment has benefited from the global economic downturn as more consumers turned to quality items at affordable prices. Furthermore, segment players benefit from a 'mix & match' trend whereby consumers combine highly-priced accessories with less expensive quality items. The dynamic growth in the segment is further evidenced by the success of its participants such as SMCP, Bluemarine and Elisabetta Franchi.



REGIONAL WOMEN'S APPAREL MARKET AND AFFORDABLE LUXURY SEGMENT

Italy

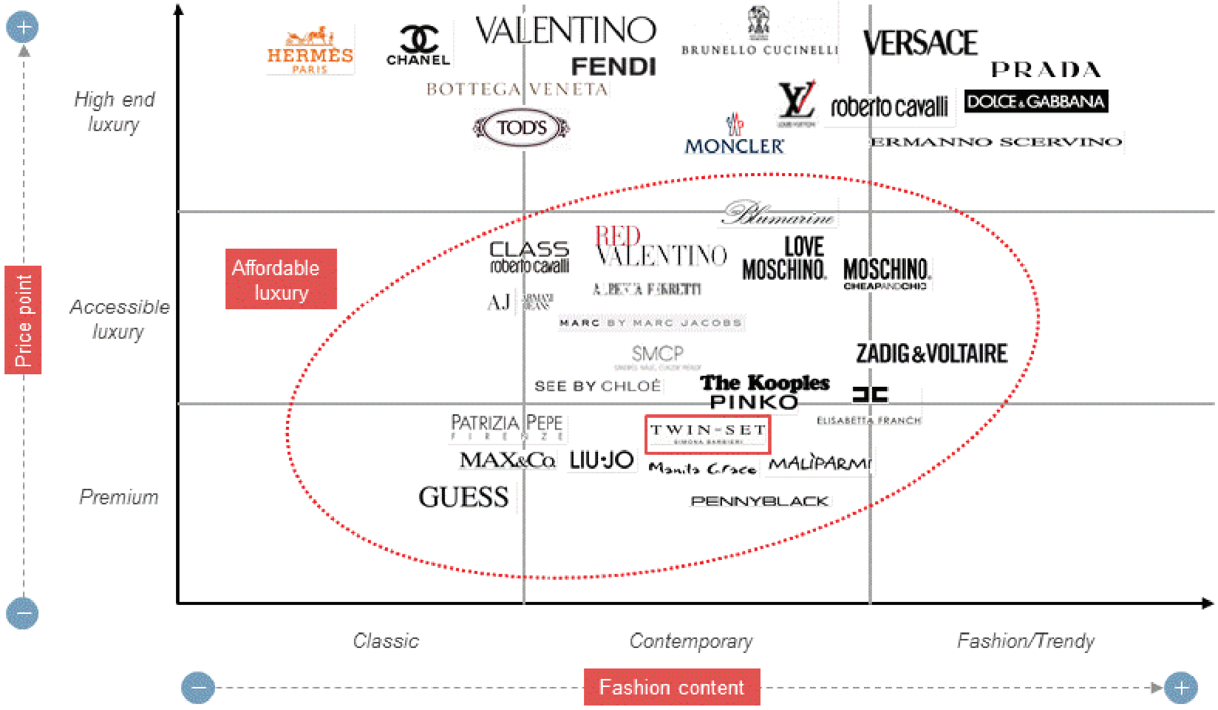
Italy is our largest market, although its share of our total business has fallen in recent years because of our international expansion. Still heavily reliant on traditional retailing, Italy's women's clothing market is one of Europe's largest with a value of €18 billion in 2013 (accounting for 40% of the Italian apparel market of €45 billion). Italy was one of the top four European countries in terms of apparel spending per capita in 2013. A strong cultural heritage influences Italian shopping habits with conservative consumers focusing on classical styles making up a core market segment, while young consumers are becoming ever more important, particularly in Italy's affordable luxury segment which grew 4.0% to €4.6 billion in 2013. We believe our products and brand awareness in Italy position us well with Italian consumers, namely as consumer confidence grows and they shift away from absolute luxury brands but remain true to classic styles. We believe these trends in the Italian women's apparel market are in keeping with global drivers that led to the growth in the affordable luxury segment, with consumers seeking out high quality items at more affordable prices than luxury goods.

International

Our key international markets include the Benelux region, Spain, Russia, Germany and France. We focus our efforts on these key regions because, according to industry research, they are among the largest and/or fastest growing apparel markets in Europe. At the same time, we believe our varied products suit preferences for style, design and fit in these regions and thereby offer consumers quality and stylish apparel that reflect market preferences at affordable prices.

We believe that growth in the affordable luxury segment across most of our key international markets has been higher than, or in line with, the broader apparel market in these regions. For example, the affordable luxury market segment in Germany and France showed CAGRs of 4.4% and 4.1%, respectively, from 2009 to 2013, relative to growth in the broader apparel market in these regions of 1.8% and −0.7%, respectively. The affordable luxury market segment across our key international markets generally exhibits common traits, in that consumers are increasingly prioritizing fit, quality and value for money in their purchases, all of which have contributed to growth of the affordable luxury category.

COMPETITION



We mainly compete with other modern affordable luxury apparel wholesalers and retailers that sell comparable products with similar price structures such as Liu-Jo and Pinko in Italy and Sandro and Max&Co elsewhere in Europe. We have high growth rates relative to our affordable luxury competitors with Twin Set Revenue increasing 37%, 40% and 23% in 2011, 2012 and 2013, respectively, while our growth over the past decade has also far outstripped that of these peers. While we have demonstrated strong growth across the affordable luxury apparel market segment, our peers have on average also been growing strongly, thus highlighting a sustainable momentum for the broader affordable luxury market segment.

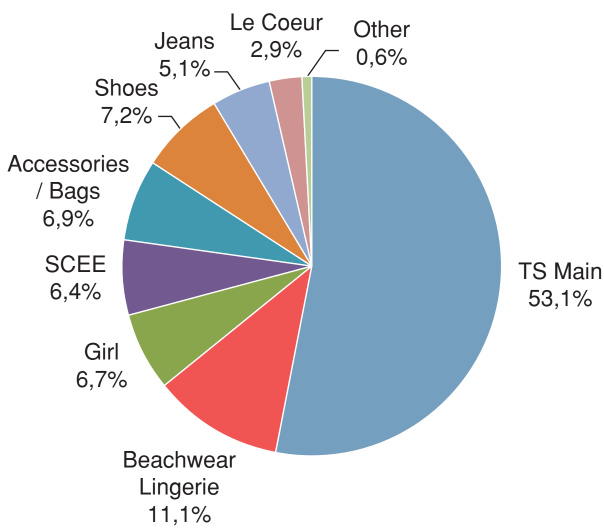
Business

OVERVIEW

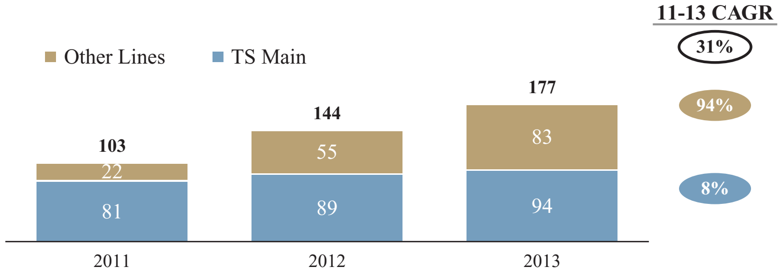
We are a fast growing women's clothing brand, focused on the affordable luxury segment of the women's apparel market. We sell a a comprehensive range of quality products sold to our customers through our retail and wholesale distribution channels. Our product range is comprised of high-quality, contemporary womenswear with on-trend designs that reflect a classic, romantic, contemporary attitude and is 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 attributes 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 relevant complementary 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 eight 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, currently to girls aged 6-16, with plans to expand the line to girls aged six down to infants in late 2014. 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 offering portfolio as awareness of our brand increased and customers began looking to Twin Set to satisfy all of their fashion needs. The following charts show the percentage breakdown of Twin Set Revenue for the year ended December 31, 2013 by product line (top) and the split of sales between Twin Set Main and all other product lines between 2011 and 2013 (bottom).

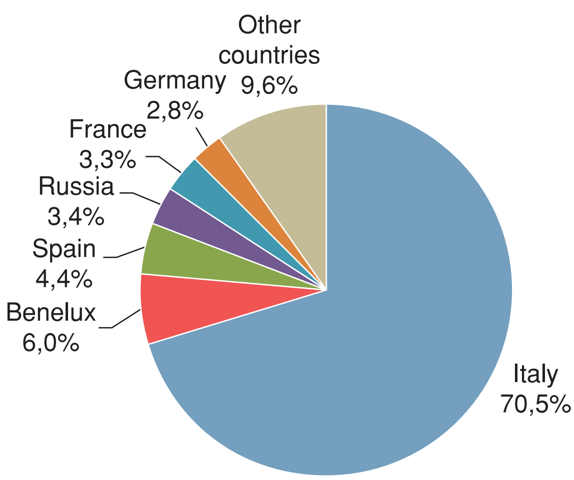


Total Twin Set Revenue by product line (€m)

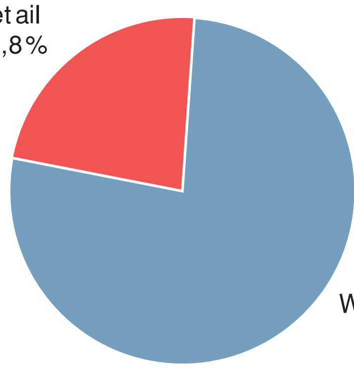


The affordable luxury segment of the women's apparel market is positioned between the luxury and mass-market apparel segments and is characterized by a combination of distinctive style, design, high-quality products and affordable price points. This segment has flourished in the competitive apparel market in recent years by addressing the needs of a wider customer base. As traditional luxury apparel brands gradually shift towards the ultra-luxury category, we believe that affordable luxury players are well-positioned to attract customers who are unwilling to pay the higher prices that typically result from this upward shift. According to a leading third-party management consultancy, the use of traditional luxury features such as aspirational advertising and distinctive retail store concepts has helped affordable luxury players gain market share. We believe that due to its more affluent core customer base, the affordable luxury segment is less sensitive to economic fluctuations than the mass-market segment. This is evidenced by continued affordable luxury segment growth in recent years despite overall economic sluggishness in Europe and, in particular, Italy. For example, according to a leading third-party management consultancy, the general European apparel market grew at a CAGR of 2.3% between 2009 and 2013 while, during the same period, the European affordable luxury apparel market segment grew at a CAGR of 4.1%. A part of this resiliency is owed to the fact that when compared to the mass-market segment, the affordable luxury segment typically has higher margins making it less vulnerable to movements in raw material prices and cost inflation.

We believe the strength of the market in which we operate combined with a unique value proposition has accounted for our historically strong financial performance. In the twelve months ended March 31, 2014, we generated Twin Set Revenue of €188.9 million, Adjusted EBITDA of €42.6 million and an Adjusted EBITDA margin of 22.5%. From 2011 to 2013 we increased Twin Set Revenue at a compound annual growth rate ("**CAGR**") of 31.2%. While we have a strong Italian heritage and the Italian operations of our company contributed approximately 70% of Twin Set Revenue in the year ended December 31, 2013, we have successfully established an international presence with approximately 30% of our Twin Set Revenue in any given year from 2011 to 2013 coming from abroad. The focus of our expansion is other European markets, with the bulk of our international sales coming from Spain, France, Benelux, Germany and Russia. We also have a modest wholesale presence in Asia, where we aim to continue our disciplined international expansion. The following chart shows the percentage breakdown of Twin Set Revenue for the year ended December 31, 2013 by country.



We sell our products through a combination of sales channels. We operate an extensive wholesale channel built around a strong network of independent sales agents. At the conclusion of the 2014 fall/winter order campaign, our products were sold through 4,965 wholesale points-of-sale, or "doors." This strong and extensive wholesale channel accounted for 77.2% of our total sales for the twelve months ended March 31, 2014. As of March 31, 2014, we operated forty retail locations (30 directly-operated stores, or DOS, and 10 outlets). For the twelve months ended March 31, 2014, this retail channel accounted for 22.8% of our total sales. We primarily locate our DOS in premium locations such as Via Manzoni in Milan, Via del Corso in Rome and Rue du Vieux-Colombier in Paris. In the near-to-medium term, we plan on selectively expanding our retail channel into new markets where we already have in-roads through our wholesale presence, including our primary target markets of Spain, France, Germany, Benelux, Russia and China. We believe this selective international expansion of our retail channel will be key to developing our brand strength, and we therefore intend to target the most prestigious locations in these countries' most fashion-forward cities. As of March 31, 2014, we have signed contracts to open stores in, among other cities, Moscow, Barcelona, Palma, Paris, Munich and Berlin. In the coming years, we believe that our retail roll-out will result in opening between 20 and 25 retail locations per year. We believe our expansion into the retail channel has been highly successful, as evidenced by a growth in like-for-like revenue performance of 12% in the three months ended March 31, 2014, compared to the three months ended March 31, 2013. The following chart shows the percentage breakdown of Twin Set Revenue by channel for the twelve months ended March 31, 2014.



Our growing network of DOS is becoming an increasingly important advertising medium for our brand. We therefore strive to maintain a high-end, luxury-like retail experience in our DOS at affordable prices to target the typical affordable luxury customer. Accordingly, we operate a 100% assisted sales model with personalized service that creates a luxury-like shopping experience for customers. In addition, in order to place an emphasis on personalized advice rather than self-service, we only display two to three sizes per item. Moreover, the number of sales people in each store is determined based on target store sales and store size to ensure optimal customer service. We carefully select and train our sales assistants and have a performance-driven compensation structure with a variable component based on sales.

HISTORY

Twin Set began as a third-party manufacturer of knitwear founded by husband and wife team Tiziano Sgarbi and Simona Barbieri in 1987. In the early 2000s, Mr. Sgarbi and Mrs. Barbieri transitioned the company from a manufacturer to a stand-alone brand by leveraging the strength and reputation of the knitwear products to gain entry into the wholesale channel. Twin Set's initial strategy was to establish a presence in the wholesale channel and develop the brand by offering high-quality affordable luxury apparel in the best multi-brand locations in Italy. Starting in 2006, a few initial DOS were opened on an opportunistic basis in and around Bologna.

The Twin Set brand experienced strong sales throughout the first decade of the 2000s through a continued emphasis on the wholesale channel. Twin Set developed a strong wholesale channel throughout some of the major countries in continental Europe, in particular in Spain, France and the Benelux. With the entry of the private equity fund DGPA Capital as minority owners of the Company in 2008, we began expanding our product offerings, introducing new product categories and broadening the wholesale network in Italy and abroad, allowing us to grow sales by a CAGR of 39% from 2008 to 2011. This expanded wholesale network set the foundation for a future retail rollout strategy. Fueled by the success of a Twin Set pop-up store in Milan's Piazza del Duomo in 2010, we started a strong DOS roll-out process in 2012 by opening flagship stores in Milan and Florence and began opening DOS in first-tier locations throughout Italy (including a flagship store in Rome in 2013) and the rest of Europe.

Besides expanding our the retail channel, this phase of our history was also characterized by rapid expansion into different product lines as part of our "total look" strategy. In a few short years we launched our Beachwear/Lingerie, Jeans and Girl product lines.

The most recent phase of Twin Set's history has been characterized by continued retail growth in Italy and throughout Europe and a strengthened and expanded global wholesale channel. Along with Carlyle, which acquired a majority shareholding in Twin Set in 2012, we have focused on the rollout of the Group's retail strategy and international expansion. Since that time the retail channel has experienced tremendous growth. Twin Set's presence in top-tier retail locations has been a key factor in communicating and cementing the Company's brand identity. Our successful brand communication and the recent introduction of our successful Bags/Accessories and Shoes product lines have helped to further establish our identity as a provider of an affordable, luxury "total look". Strategic initiatives through this period allowed us to grow sales at a growth rate of 22.8% from 2012 to 2013.

OUR STRENGTHS

We believe we have the following competitive strengths:

We are strongly-positioned in the fast-growing and resilient affordable luxury apparel market segment.

We have established a strong position in the affordable luxury segment of the women's apparel market, which has generally outperformed the broader apparel market in recent years. According to a leading third-party management consultancy, the affordable luxury apparel segment in Europe grew at a CAGR of 4.1% from 2009 to 2013 whereas, during the same time, the broader European apparel market in Europe grew at a CAGR of 2.3%. We have solidly positioned ourselves in the affordable-luxury segment by consciously creating a brand that combines the best elements of both the luxury and mass-market apparel segments—a brand with a style proposition that, while luxurious and contemporary, remains accessible. For example, like the luxury segment, our products are characterized by high-quality materials, innovative designs and high-end details. However, we offer products at price points accessible to a broader consumer base with designs that are contemporary and innovative, while at the same time suitable for everyday life.

We believe that our Italian heritage and our success in the Italian market reinforce the luxury proposition of our brand. We believe Italian apparel companies are synonymous with high-quality, luxury apparel and that having our roots in a country with a strong and resilient luxury apparel market reinforces our brand. We have achieved success in the Italian market not as a "fast fashion" retailer, but as a company focused on fashionable but classic looks. We believe that our success in the robust Italian luxury apparel market has increased our brand awareness given the presence in this market of some of the world's most iconic and immediately recognizable luxury fashion brands. This increased awareness enables us to pursue low-risk retail growth opportunities, in Italy and internationally, where our target customers have already heard of our brand and have experienced it thanks to our extensive wholesale network.

We believe that our international growth, like our historical growth in Italy, will follow closely on the heels of an expanding affordable luxury apparel market segment. Many growing international markets are countries where we already have a wholesale presence or plans for future expansion. A major third-party market consultancy expects strong consumer confidence growth through 2015 in the majority of our European markets, and we believe this should support the growth of the affordable luxury segment on pace with, or better than, what has been experienced in the recent past. To best exploit this trend, we have plans to open DOS in Paris, Berlin and Munich.

The apparel market in Russia grew at a CAGR of 14% from 2009 to 2013. We recognize the growth potential of this market and plan to build out our retail presence there starting with three DOS in

2014, with additional store openings to follow in the coming years. In addition, we view China and Hong Kong as appealing future markets and as such, have conducted a comprehensive market analysis and developed a business plan in preparation for a more fully-developed retail strategy.

Given the rapid growth of our brand in Italy and the rest of Europe, we are well-positioned to take advantage of growing apparel markets elsewhere.

We are a growing brand with a "total look" product offering and well-defined customer proposition.

We believe that our ability to outperform our competitors in the affordable luxury segment in recent years is due to the successful branding of Twin Set as a producer of high-quality, contemporary clothing and accessories for sophisticated, fashion-conscious women. Our creative designs, premium quality products, upscale marketing campaigns and high-end retail experience have built an image that would typically be associated with luxury brands. Our accessible designs and lower prices enable us to access and communicate our brand to a broad customer base.

We believe that a key driver of our brand affinity and growth with this customer base has been the expansion of our product lines across apparel categories to offer our customers a "total look" proposition. We began with our iconic knitwear products and leveraged their success to build the Twin Set Main product line. Thereafter, we began launching product lines intended to complement the Twin Set Main line in order to be able to provide a "total look". Since 2011, we have launched each of the Jeans, Bags/Accessories, Shoes and Beachwear/Lingerie product lines. These newly introduced lines have together grown at a CAGR of 114% between 2011 and 2013. Our goal with these product lines is to integrate new fashion trends while maintaining key brand elements that we believe create enduring demand. Our wide variety of high-quality and stylistically-cohesive products offers our customers the opportunity to wear Twin Set from head to toe and for any occasion—the "total look".

Our business model provides us with a strong degree of operating flexibility.

We employ best practices across all our key business activities. Specifically, our business model is characterized by: (i) style and prototype development carried out by our in-house design department and overseen by creative director Simona Barbieri; (ii) production that is efficiently balanced between in-house and out-sourced elements; and (iii) streamlined inventory management.

Our Creative Director and co-founder, Simona Barbieri, personally oversees the design and development process to ensure stylistic harmony. The design of our collections and pre-collections is a time-intensive process carried out by our team of more than twelve in-house designers and more than forty-seven total design team staff. These designs are then used during the development and production of the prototypes that serve as the models for the production of the collections. Prototype development is carried out in-house to ensure quality and the timely start of our sales campaigns. As the prototypes are used as samples for our manufacturers, we believe that well-crafted prototypes are key to producing high-quality, wearable products. This well-controlled and centrally-managed design and development process, along with the fact that we produce multiple collections during the year, helps minimize the risk that a design will deviate from the style our customers expect, or that one collection will fail to meet expectations.

We use a flexible production process featuring a strategic combination of in-house and outsourced elements. Approximately 30% of our production occurs in-house, where we have complete control over quality, fit and execution. This balance of in-house production and outsourcing allows us to control production of high-value or complicated pieces and outsource production of more routine pieces, thereby controling costs while still maximizing the quality of our high-value items. This is a key element of our brand strategy.

Our efficient inventory management enables us to optimize working capital levels and is a key component of our business model. The predominance of our wholesale business greatly minimizes inventory risks, because wholesale orders are placed approximately six months in advance of the applicable selling season. This allows us to effectively plan production and inventory levels and as such, keep limited. We aim to keep limited stock at the store level and we monitor inventory levels closely so that stocks are replenished based on customer demand. This tight and efficient inventory management at the store level limits overstocking risk and also creates a perception or sense of scarcity and exclusivity. Additionally, our outlets provide us an effective destocking and inventory management channel for any excess stock. We are also in the process of upgrading our IT system, which we believe will allow us to centralize product and sales information (including inventory, orders and sales), actively monitor and manage performance and manage our inventory even more efficiently.

Our multiple distribution channels provide revenue stability.

We sell our products through (i) our extensive wholesale channel and (ii) our retail channel, which consists of a mix of DOS in premium locations, outlet stores and online sales. For the twelve months ended March 31, 2014, the wholesale and retail channels accounted for 77.2% and 22.8% of our total sales, respectively.

We have an extensive wholesale channel consisting of agents and distributors that operate in five different continents and with who we have strong relationships. As of the conclusion of the 2014 fall/winter order campaign our products were available in 4,965 wholesale doors worldwide (2,877 in Italy). In our core geographies we sell primarily through agents, which we believe offers us more control over the end customer and how our brand is communicated versus marginal markets where we typically focus our sales through our distributors. Our creative and commercial teams spend significant time educating agents and distributors on the new collections and the recommended combinations of products (i.e., "looks") and minimum orders necessary to achieve the "total look" proposition. Our wholesale orders are usually placed approximately six months in advance of the applicable selling season providing us with high revenue visibility. Moreover, we regularly have an order-to-sales conversion rate (the percentage of an initial order that is successfully sold to the end customer without cancellation or return) of above 95%. Additionally, we do not deliver new collections to our distributors or end buyers until they have fully paid for the previous collection. Our wholesale channel requires limited fixed infrastructure, generates strong cash flows and serves an important role in providing access to markets on a relatively low-risk basis, thereby allowing us to keep a flexible, low-cost structure.

We believe our multi-faceted retail channel provides repeated exposure to potential customers in order to create multiple sales opportunities.

- Our DOS are located in premium locations in major Western European cities (including in via Manzoni in Milan, via del Corso in Rome and Rue du Vieux-Colombier in Paris) that reinforce the luxury status of our brand. We are disciplined in choosing the right locations and are aided in doing so by our extensive wholesale presence, which helps us assess the potential retail viability of a location before we invest in opening a store by giving us a sense of the demand for our products in any given area. This creates a low-risk expansion strategy. Moreover, we believe our retail points of sale have a short pay-back period. For example, of the seven stores we have opened since 2009 and which have been in operation for at least three years, all but one returned its initial investment within three to four years. Based on this historical track record, we believe we may be able to maintain a similarly short pay-back period for stores opened in 2011 and thereafter. We have dedicated teams for managing store roll-out, planning and lease negotiation and for store construction and furnishing. Our DOS are an important communication channel with consumers and through them we maintain what we believe is a unique retail experience to reinforce the Twin Set brand in our customers' minds. We have a successful established store format which will be used across all expansion sites because we believe that a consistent, uniform message reinforces our brand communication.
- Our outlets provide a hedge against over-production and fashion risk by giving us a second opportunity to sell slower-moving products at reduced prices but with attractive margins.
- All of our stores are leased and our individual retail locations do not present high levels of Reported EBITDA concentration.
- In addition, our online and mobile presence reinforces our brand and provides a complimentary base to our retail business. In 2009, we launched our online store and in 2013 we redesigned our website experience to match the luxury and contemporary aesthetic of our DOS. We believe that our online store has high-growth potential.

We have achieved strong financial performance and resilient cash flow generation with limited capital expenditures.

We have demonstrated our ability to grow our business not only in terms of revenue, but also in terms of Adjusted EBITDA. Between 2011 and 2013, Twin Set Revenue grew from €103.3 million to €177.3 million, representing a CAGR of 31.2%. Our average like-for-like revenue performance growth in 2011, 2012 and 2013 was approximately 6.5%. Our Adjusted EBITDA during this period grew from €25.7 million in 2011 to €40.2 million in 2013, representing a CAGR of 25.0%. We intend to continue to optimize our operations and further leverage our fixed cost base.

Our capital expenditures are mainly related to our store roll-out strategy and are therefore largely discretionary. Approximately 73% of our stores have been open for less than three years and so require limited maintenance capital expenditures. In the fiscal year ended December 31, 2013, we invested €3.4 million in the restyling and renovation of our network of stores and we therefore expect to have limited refurbishment costs going forward.

After giving effect to the Transactions we expect to have approximately €31.6 million cash on our balance sheet and access to up to €10.0 million under our Revolving Credit Facility, which will provide us with a strong liquidity position and the ability to support our operations going forward, including the disciplined expansion of our retail channel. See "Use of proceeds" for more information.

We have a highly experienced management team that combines creative and design talent with proven operating credentials.

We have an experienced and proven executive management team led by our co-founders Tiziano Sgarbi and Simona Barbieri, who together continue to own 28% of our business and continue to provide it with consistent leadership both at the management level and within the design function. Both Mr. Sgarbi and Mrs. Barbieri have more than 20 years' experience in the fashion industry. Since the beginning of our partnership with Carlyle, who was added as a partner with the deliberate intention of providing retail and international expansion experience, we have reinforced our top management with professionals who have an average of approximately 20 years of experience working for some of the biggest companies in the fashion retail industry. Our Commercial Director Genis Ganassi, joined Twin Set in October 2012 and previously worked in marketing and sales with Max Mara, Furla, Mandarina Duck and Jil Sander. Our Chief Financial Officer, Paolo Matteini, joined Twin Set in May 2014 and has over 20 years of finance experience in financial roles with GE, Bristol-Myers Squibb, De Cecco and Miroglio. Over the past three years our management team has successfully expanded our retail channel, grown net sales in a challenging macro-economic environment and broadened our product lines. Importantly, our top management team is supported by a wider group of other talented managers that are incentivized by performance-based bonuses.

OUR STRATEGY

Continue to consolidate our strong position in the attractive affordable luxury market segment across target geographies.

We intend to continue to consolidate our strong position as one of the leading European designers, manufacturers and retailers in the attractive affordable luxury segment of the women's apparel market. We believe that we are well-placed to continue to develop and grow our business due to our established and successful business model, which focuses on quality product offerings, sophisticated design content, high quality fabrics, superior fit and the distinct shopping experience offered by our DOS. In addition, we believe we are a key player in driving trends in the affordable luxury segment, for example by offering high-end shoe and handbag lines at lower price points than similar products offered by competitors in the luxury segment. By continuing to design stylish, fashionable and high-quality clothing for our target market at attractive and affordable price points, we expect to continue to strengthen our position as a leading participant and trend-setter in the affordable luxury market segment.

Continue to deliver strong growth.

We have historically been one of the fastest-growing participants, by revenue, in the affordable luxury segment of the women's apparel market in Europe. From 2008 to 2013, our revenue grew at a CAGR of 36%. Although we do not have plans to add new product lines, we intend to continue to deliver strong growth by continuing to expand the offerings within our existing product lines, thereby, extending our range of fashionable, attractive clothes, shoes and accessories at attractive prices. We also plan to continue to invest in developing our brand through increased marketing and advertising efforts, as well as to further improve our customer relationship management systems and focus on training our sales force.

Continue to selectively expand our diversified distribution network with a focus on retail and international expansion.

We have an extensive and diversified distribution network comprised of a large wholesale channel, an expanding retail footprint and a growing online presence. We intend to selectively expand this distribution network, principally by further optimizing our wholesale network across current geographies and by continuing to selectively expand our retail footprint mostly in markets outside of Italy such as Spain, France, Germany, Benelux, Russia and China.

With respect to our wholesale channel, we intend to remain focused on distribution through high-quality multi-brand doors. Within Italy, our home market, we believe we already have strong penetration among quality wholesale doors and our focus going forward will be on increasing sales by leveraging existing product lines. In our international markets, focus will be on developing our already visible presence, increasing brand awareness and capturing growth across all product lines. For example, in Germany we recently upgraded our agent network in order to target higher quality doors and reinforce our brand image.

In the retail channel, we intend to continue successfully rolling out new DOS. Within Italy, where we already have DOS located in nearly all of the first-tier locations in the country, our expansion will focus on selected expansion into second-tier cities. Internationally, our focus will be on growing our retail presence by targeting fashion-forward cities for new store openings within geographies where we already have a customer following and brand recognition through the wholesale channel. Target locations include cities like Paris, Barcelona, Moscow and Berlin. In markets with high barriers to entry, we plan on entering into joint ventures and similar relationships with leading local market participants. See "*Recent developments*" for more details on signed lease contracts for scheduled 2014 openings. In Russia we have entered into a joint venture with an experienced local operator and target to open three stores in 2014.

We also intend to expand our online presence. As such, we have recently completed the upgrading of our online platform, including the introduction of a mobile website and a more extensive suite of payment options. This platform is easily scaleable and can therefore be introduced into new markets as needed in order to support and complement our other distribution channels. We see our online presence in the future as an important element in developing our brand image and recognition worldwide and will seek to provide improved online capabilities and functions to our customers to enhance their shopping experience and to generate additional sales.

Continue to generate strong cash flows to reduce financial leverage.

We have a strong record of cash flow generation and have historically used our excess cash flow to reinvest in the expansion and growth of our business, while consistently maintaining net financial indebtedness to Reported EBITDA leverage of less than 2.5x. We intend to continue to generate strong cash flows by increasing revenue and continuing to actively manage our margins, capital expenditures and working capital, thereby increasing Reported EBITDA and reducing leverage. We aim to maintain net leverage of less than 3.0x.

CHARACTERISTICS OF THE TWIN SET BRAND

Twin Set is a fast-growing brand in the expanding "affordable luxury" segment of the women's apparel market. Our brand is characterized by premium-quality materials and fashion-forward, contemporary designs that underpin our brand positioning with a subtle and classic approach. The Twin Set brand seeks primarily to be identified with women aged 35-45 who are fashion-conscious, sophisticated and metropolitan, although we also offer a selection of products for younger women and girls. Over the past few years, we have expanded our product lines from our classic knitwear products, and the Twin Set brand is now known as a brand that offers a "total look".

LINES—THE PRODUCTS

We offer a wide variety of apparel divided into eight different product lines:

Twin Set Main Collection

The Twin Set Main Collection is our primary product line and features our most iconic products. It is a traditional product line in that it features wardrobe staples for fashion-conscious women. The products in the Main Collection are characterized by elegant, innovative designs for both day and evening wear. The versatility of the Twin Set Main collection means that there is a product in this line for every occasion. For the year ended December 31, 2013 revenue from the Twin Set Main Collection totaled €94.3 million (with €70.1 million generated by our wholesale channel and €24.2 million by our retail channel) and represented 53.1% of Twin Set Revenue for the same period.

Bags/Accessories

The Bags/Accessories line is our most recent product line and was introduced in 2012. This line features accessories such as jewelry, hats and scarves as well as purses and handbags. Although the handbag market, generally, is fragmented, the affordable luxury segment of the handbag market is dominated by established players. Despite this, we believe Twin Set is quickly gaining market share owing to our popular designs, such as the Cécile, that have quickly generated brand recognition among our target audience. We believe brand recognition is a key to success in this segment. For the year ended December 31, 2013, revenue from the Bags/Accessories line totaled €12.3 million (with €10.0 million generated by our wholesale channel and €2.3 million by our retail channel) and represented 6.9% of Twin Set Revenue for the same period.

Jeans

Our Jeans line is also a newer product line, having been introduced in 2012. It deviates slightly from the slightly dressier products in the Twin Set Main Collection, but is a key product line in the "total look" concept. The denim market is very crowded. It is also cyclical as the fashionability of denim varies significantly. Management believes that we entered the segment during a period when denim products are less in demand, which we believe enables us to evaluate the line's performance on a less inflated basis and pay close attention to market trends and our competitive position. For the year ended December 31, 2013, revenue from the Jeans line totaled € 9.0 million (with €7.4 million generated by our wholesale channel and €1.6 million in the retail channel) and represented 5.1% of Twin Set Revenue for the same period.

Le Coeur

The Le Coeur line is a casual chic collection that features a wide range of products such as shirts, tracksuits and knitwear characterized by high-quality jersey fabric enriched with embroideries and lace details for a more feminine touch. This product line is small, but we believe it has a strong, loyal client base. For the year ended December 31, 2013, revenue from the Le Coeur line totaled €5.2 million (with €3.4 million generated by our wholesale channel and €1.8 million by our retail channel) and represented 2.9% of Twin Set Revenue for the same period.

Shoes

Our Shoes line has experienced significant growth since its introduction in 2011. It has grown in three years to €12.8 million of revenue for the year ended December 31, 2013 (with €9.1 million generated by our wholesale channel and €3.7 million by our retail channel). We believe our shoes are generally of a higher quality than those of our competitors in the affordable luxury segment. We aim to design classic, lasting styles. Our commitment to maintaining the superior quality of the Shoes product line is evidenced by the April 2014 purchase of Twin Set Shoes in order to insource a portion of our shoe production and thereby closely monitor quality. For the year ended December 31, 2013, revenue from the Shoes line represented 7.2% of Twin Set Revenue for the same period.

Beachwear/Lingerie

The Beachwear/Lingerie product line is key to the "total look" concept. Strong growth in this line has resulted in Twin Set quickly becoming a competitor of major Italian and foreign brands in this segment. For the year ended December 31, 2013, revenue from the Beachwear/Lingerie line totaled €19.6 million (with €17.1 million generated by our wholesale channel and €2.5 million by our retail channel) and represented 11.1% of Twin Set Revenue for the same period.

Girl

Our Girl line features fashion staples and shoes for a younger audience. The Girl line currently targets girls between ages 6-16 and we intend to launch a line for girls aged 0-6 in late 2014. We believe that the strong growth of this line is due in part to the line's stylistic coherence with the Main Collection. This product line has grown quickly and we see great potential for the line in our target expansion markets with Russia and Asia. For the year ended December 31, 2013, revenue from the Girl line totaled €11.9 million (with €10.7 million generated by our wholesale channel and €1.2 million by our retail channel) and represented 6.7% of Twin Set Revenue for the same period.

SCEE

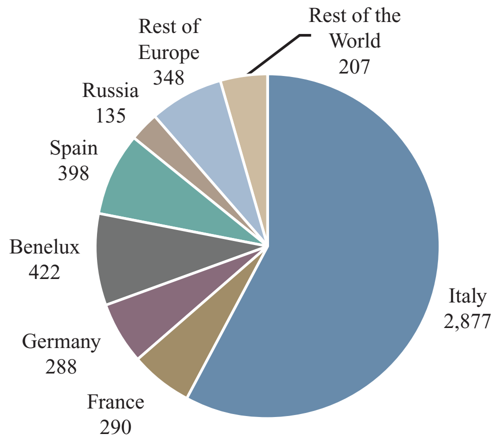
The SCEE product line is one of our oldest (introduced shortly after Twin Set Main), but today is not part of our core "total look". The line is distributed solely through the wholesale channel and in our outlets and it is not sold in our DOS. It is aimed at younger women and features pieces that are alternatives to the Twin Set Main collection. Because these products target a younger client base, prices are typically slightly lower. For the year ended December 31, 2013, the SCEE line totaled €11.3 million (with €10.6 million generated in the wholesale channel and €0.7 million in the retail channel) and represented 6.4% of Twin Set Revenue.

DISTRIBUTION CHANNELS

Wholesale

Our wholesale channel consists of multi-brand stores in some of the world's best known shopping centers, such as Alsterhaus and Oberpollinger in Germany, Bongenie Grieder in Switzerland, Stockmann in Finland, Steen & Strøm in Norway, La Rinascente in Italy, Peek and Cloppenburg in Austria and La Fayette in the United Arab Emirates. We place our products in these stores through an extensive group of agents, distributors and buying offices.

We work with 62 agents worldwide, including large professional agencies with large portfolios of customers who fit our brand positioning. We provide these agents with an advance look at our upcoming collections and conduct panels with them to discuss fittings and styled combinations of products. We propose a minimum number of looks to sell to buyers as product packages, and we urge agents to sell entire combinations of products that are featured in our marketing materials so that customers can find all the items advertised in any given point of sale. Through a combination of our recommendations, a first-hand knowledge of the collections, materials, product catalogues and samples of the upcoming collections, the agents collect orders from store buyers. These orders are submitted to us and, if accepted, we ship the products directly to the stores and pay the agents a percentage of the sale as a fee. Worldwide, as of the end of the 2014 fall/winter order campaign, and as shown by geography in the chart below, our agents placed our products in 3,302 wholesale points of sale that sell multiple product lines (apparel doors) and 1,663 wholesale points of sale that sell specific product lines (specialist doors). Italy has the majority of the wholesale channels serviced by our agents with 1,741 apparel doors (52.7% of all apparel doors) and 1,136 specialist doors (68.3% of all specialist doors).



We also sell to eight distributors worldwide. These distributors receive the same level of instruction and product introduction as the agents. As opposed to our agents, distributors buy our stock directly from us at a discounted price. The distributors then take ownership of the stock and sell the products to wholesale doors based on their own client relationships. We do not know who their end clients are and, therefore, do not know how many wholesale doors are serviced by our distributors or whether those doors effectively communicate our brand. This lack of control over the placement and positioning of our products sold through our distributors is the primary reason we use so few of them and only in non-strategic geographies such as North America, Japan, Australia and Portugal. We view Russia as a growing market for our brand. However, due to the difficulties in managing the wholesale business in that market, we currently sell through distributors, but plan on moving towards an agent-based model in the future.

Wholesale orders are often placed six-months in advance of the applicable selling season based on the product samples we show in showrooms, but sales are not recognized until the product is actually shipped. Historically, we have an order-to-sale-conversion rate (the percentage of an initial order that is successfully sold to the end customer without cancellation or return) of above 95%. We allow our wholesale customers to cancel their orders for a 30% fee. We also have a wholesaler swap policy under which we allow our wholesale buyers to return up to 10% of orders that they are unable to sell, as long as they buy an additional 10% more worth of replacement products (i.e. 10% of a prior order can be returned so long as the buyer re-orders 110% of the order value of the returned products). In addition, we offer a “re-assortment” service that allows our wholesale customers to place additional orders for items during the course of the selling season. These wholesale customers usually end up placing additional orders for their best-selling or most-advertised items. We believe these policies allow us to compete not only with other affordable luxury fashion houses for wholesale orders, but also with low-margin fast-fashion companies. This is because they give us the flexibility to respond quickly to our clients’ needs by allowing them to get more of the products they need and get rid of the products they are having a harder time selling. Our extensive network of outlets also enables us to easily reallocate goods returned under the return policy that are not eventually resold to another wholesale customer.

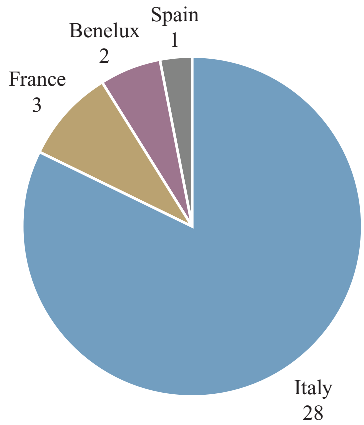
Sales through our wholesale channel have increased steadily from year-to-year, even though they now represent an smaller percentage of our total sales than they did historically as a result of our expanding retail channel. For the years ended December 31, 2011, 2012 and 2013, sales from our wholesale channel totaled €88.9 million, €119.2 million and €139.4 million, respectively, and represented 86.1%, 82.6% and 78.6% of Twin Set Revenue for those same years.

Retail

Our retail channel is divided into three separate sub-channels—DOS, outlets and online store. All of our retail locations are leased, and a very limited number of our outlet lease agreements feature variable rent based on sales generated by the store. Our retail sales have increased year-to-year with our emphasis on the opening of new DOS and the expansion of our online store, and represent a growing percentage of our overall sales. For the years ended December 31, 2013, 2012 and 2011, our total retail sales amounted to €37.9 million, €25.1 million and €14.4 million of sales, respectively, and represented 13.9%, 17.4% and 21.4% of Twin Set Revenue during the same years.

DOS

As of the date of this Offering Memorandum, and as shown in the chart below, we operated 34 DOS throughout Europe (28 in Italy).



Our DOS are strategically located in the most fashionable streets in some of the most important European cities (i.e., Milan—via Manzoni, Rome—via del Corso and Paris—Rue du Vieux-Colombier). We will maintain this first-tier location strategy as we expand into new international markets. We believe that locating our DOS in the most visible and fashionable areas communicates the quality and luxury of the Twin Set brand. All of our DOS are leased. In some countries, a flat "key money" fee is often payable to the landlord or former tenant when opening new DOS. For example, to obtain the lease for our store in Milan (Corso Vercelli) we were required to pay €1.1 million in key money.

We aim to provide our retail customers with all the features associated with a luxury brand, such as high-quality products, prime locations, attractive store layouts and a high standard of client service. We operate a 100% assisted sales model with personalized service to provide customers with a similar retail experience as high-priced luxury brands.

Not all product lines are sold in every DOS. Space constraints often force us to choose which selections of product lines to include in each location, while keeping in mind the goal of offering a "total look". These decisions are informed by sales data and our perceptions of trends in a specific area. Additionally, we are considering the viability of dedicating entire DOSs to a specific product line—a retail strategy often used by luxury brands. As a test, in 2013 we opened a DOS in Bologna selling only the Girl line and are seeing very positive initial results.

In some markets, where barriers to entry render direct sales through the retail channel difficult or where we deem local conditions to be too complex, we have a strategy of entering into joint ventures for the opening of DOS with local minority partners. We have already employed this strategy in Russia. Going forward, we may also employ this strategy for our expansion into China.

We are committed to strengthening the Twin Set brand by opening new DOS. Our well-established wholesale channel assists us in assessing the potential of a particular geographic market before we invest in a store opening, which reduces the risk involved in the expansion of our DOS footprint. This is especially true in Russia where revenue generated through our wholesale channel led us to believe that DOS can succeed in this market and we are planning on opening stores in Moscow in 2014 and in St. Petersburg in 2016. In China, we accordingly have currently established a limited wholesale presence in order to test the market and have seen promising results. We intend to develop our presence in the Chinese market through a focused retail strategy undertaken with a local partner, who we are in the process of identifying. As of the date of this Offering Memorandum, we have signed lease contracts and non-binding letters of intent for the opening of several additional retail locations. Our main new DOS will be located in Moscow, Barcelona, Palma, Paris, Munich and Berlin. Over the past three years, the average initial setting-up and preparation time required for the opening of a new DOS was four months.

Outlets

In addition to our DOS, as of March 31, 2014, we operated ten outlet stores (all in Italy). Outlets offer us an opportunity to sell goods from prior seasons that may not have sold out entirely and therefore rarely feature the same items then being sold in our DOS or online. Because our margins are initially favorable, even reduced price items usually result in a profit. We do not typically design any collections or products specifically targeted for distribution through outlets.

Our outlet locations are mostly stores within shopping malls and outlet centers, as opposed to stand-alone stores.

Online and mobile

In line with many other operators in the affordable luxury apparel market segment, we also distribute our products through our online store. Online sales are an increasingly important part of our sales platform. We believe that online sales offer tremendous sales growth opportunities and a powerful marketing tool to increase the awareness of our brand. Our online sales channel enable us to reach a broader but selected consumer target, in particular young adults, and obtain immediate information on customer preferences in the countries in which we offer online sales. Our online store currently offers shipping to all countries in the European Union, with further expansion planned for the future.

Since the launch of the online store in 2009, online sales have grown from €1.4 million in 2011 to €2.7 million in 2013, with more than half of our online sales in 2013 being generated in Italy. We expect accelerated growth over the next few years in our online sales due to our expansion into new geographies (including Russia, the Nordics and Switzerland), focused online marketing investments and upgrades to our platform. We recently launched a revised online platform to create a more user-friendly experience that communicates our brand message through the refined design of our online store. We have also recently launched a mobile optimized website for smartphones and tablets that provides additional opportunities for our customers to interact with our brand. We expect these to drive an increase in sales through our online store.

GEOGRAPHIC AREAS

As of March 31, 2014, the majority of our DOS and wholesale doors were located in Italy, and the Italian operations of our company contributed approximately 70% of Twin Set Revenue in the year ended December 31, 2013. We have, however, successfully expanded into other European markets including Spain, France, Belgium, Germany and Russia, and these other markets have, over the past three years, consistently represented roughly 30% of our revenue. The table below shows the geographic split of our retail and wholesale points of sale as of March 31, 2014.

	As of March 31, 2014	
Points of Sale	**Italy**	**Abroad**
Retail	**37**	**3**
DOS	27	3
Outlets	10	—
Wholesale	**2,877**	**2,088**
Apparel	1,741	1,561
Specialist	1,136	527

Initially, our business model was based on a strong wholesale channel due to the lower capital expenditure requirements associated with this channel as compared to a network of DOS. During this period, our DOS were primarily opened in second-tier locations such as Modena, Bari, Bologna and Reggio Emilia. We opened these initial DOS with the aim of taking advantage of attractive commercial opportunities and as a test for a more comprehensive retail expansion for the brand. After the entry of Carlyle in 2012, we began pursuing a more targeted expansion of our retail channel. Our strategy was to open stores in first-tier locations that adequately communicated the Twin Set brand. In 2012, we opened DOS in Milan, Florence and Torino, and in 2013 we opened DOS in Rome, Verona, Antwerp and Brussels. In 2014, we have opened DOS in Paris, Lyon, Valencia and Bari, and have signed contracts to open DOS in Germany, Spain and Russia, among others.

ADVERTISING AND MARKETING

Advertising and marketing are an essential part of affirming and communicating the value, exclusivity and uniqueness of the Twin Set brand. Our retail locations and wholesale doors are our most effective communication channel. Located in prime locations, our DOS are designed like luxury boutiques with carefully decorated store windows that are frequently renewed. Our communication strategy also involves high-end press coverage in fashion magazines such as Vogue, ELLE and Glamour, as well as selected on-street advertising campaigns. We maintain customer lists that we use to send text messages and emails with promotional offers and discounts.

We employ advertising, marketing and communications staff as well as outside agencies to implement our advertising and marketing efforts. They research and analyze our individual competitors and the general market in order to ensure we are informed of market and advertising trends. They also plan and execute our marketing events and advertising campaigns, which are developed and directed principally from our executive offices in Modena. Part of our communication strategy is to recommend that wholesalers sell the “total looks” featured in our advertisements and to market our pre-collections and collections to customers only after they have been distributed in stores so as to ensure availability of the products advertised and maximize the impact of such campaigns.

We have increased our marketing and advertising expenditures each year as we have expanded into new markets. Our marketing and advertising expenses were €7.1 million, €7.4 million and €10.5 million for the years ended December 31, 2011, 2012 and 2013, respectively. Our marketing strategy strives for consistency between the Twin Set brand values, target customers and the product. We believe that these efforts have helped Twin Set become an increasingly strong and aspirational brand.

PRODUCTION MODEL

For the Twin Set Main Collection, Shoes and Beachwear/Lingerie we design and produce four collections each year—a pre-collection and a collection for each of the spring/summer and fall/winter seasons. For our other product lines we produce only two collections and do not produce pre-collections. The entire life-cycle of a given line, from design to delivery, is typically 9-12 months. Generally, the phases of our production model are: (i) Creation, Design and Order Collection; (ii) Collection Presentation and Sales Campaign; (iii) Production and Logistics; and (iv) Distribution.

Creation, design and order collection

The design and development phase of our production model occurs entirely in-house and is led by our co-founder Simona Barbieri, the brand’s Creative Director, who directs the work of twelve designers and seven product managers. The first stage of the development process for every spring/summer and fall/winter pre-collection and collection is an analysis of the corresponding collection developed and sold the previous year in terms of both quantity (i.e., sales and price figures by model and market) and quality (i.e., wear-ability, materials used, colors and technical characteristics) and a discussion of trending styles drawing upon market research from different locations throughout the world. The general manager and representatives of the creative office and the merchandising and product development departments participate in this stage and provide their feedback.

Based on the figures that emerge during the first stage of the development process, the design and development team determines: (i) the concept of the collection and the guidelines for its stylistic definition; (ii) the number of items in the collection by product line, function and price level; and (iii) a list of materials (i.e., fabrics, accessories, fibers) to be used, and the existing products and designs to retain in the new collection. The fashion designers then prepare a mood-board containing the elements that inspire the new collections (i.e., materials, colors, shapes, setting) for presentation to Mrs. Barbieri. The purpose of the boards is to define the concept of the collections and establish general guidelines for product themes. The designers focus on designs that are in demand and absorb trends which have gained momentum in the market, while at the same time being innovative and still retaining common elements and materials that are distinctive to the Twin Set brand. Mrs. Barbieri evaluates the mood-boards, proposes possible variations, and approves the finished boards. Product sketch drawings are then prepared by the designers based on these approved boards. These sketches then serve as the basis for the computer templates for prototypes. These prototypes are reviewed for fit and style, and once approved, serve as the basis for samples. Once the samples have been produced and approved, production begins on a limited number of finished products to be distributed to the sales teams and the products are preliminarily priced.

Collection presentation and sales campaign

Once sample collections are produced, we organize presentations of the collections to our commercial team, agents and distributors in both scheduled presentation events and in our showrooms. The presentations are another opportunity to communicate and reinforce the Twin Set brand. We carefully design and manage every phase of the presentations, from the invitations to the after-parties. During these events we communicate distribution strategies to the agents and distributors and explain the intention and related technical characteristics of the pieces (i.e. materials used, wearability, clothing treatments and characteristics) in order to highlight their quality. These events provide the basic understanding of the collections that allows us to proceed with the sales campaign.

Within the wholesale channel, beyond these presentation events, agents and distributors have the opportunity to view our products at our showrooms in order to better understand the collections. Agents set up appointments with buyers independently to present the collection, during which the end-buyers make orders. Distributors, on the other hand, purchase the products they think will most likely sell, as they are responsible for placing those products with end-buyers. The sales office manages the wholesale channel distribution by determining the optimal recommended product mix to preserve the spirit of the collections. They also set purchasing minimums and guidelines for what mix of products should be purchased from the various product lines to ensure that wholesale doors are carrying a sufficient variety of products to offer a "total look". The sales office also sets sales targets for agents and distributors and provides support to agents and distributors.

Within the retail channel distribution process, the retail locations are grouped into tiers at the beginning of each season and the style department, in collaboration with the merchandising department, defines the "master order" for each tier. Each store in any tier is then sent the same "master order" which will include products from the collection representing the style and key message of the collection that is best suited to locations in that specific store tier. The retail department establishes the product assortment to be sent to each boutique and submits the corresponding orders.

Production, quality control and logistics

In line with our brand positioning and values, we apply strict quality standards to the materials used in our products.

Raw materials are ordered in advance and stored by a third-party contractor in a warehouse near our headquarters that has the capacity to manage 1.5 million meters of fabric, 150,000 kilograms of yarn are managed in our knitting factory and 15 million pieces of trims per year are stored in our warehouse. Risk of overstocking is limited as fabrics generally can be used for several items (such as trousers, blouses and dresses) and can be re-used for future collections. We believe we are less subject to the negative effects of fluctuations in commodity prices relative to players in other segments of the apparel market because our affordable luxury positioning provides a greater cost mark-up, allowing us to absorb fluctuations in raw material costs to a greater extent than lower margin competitors. Historically, we have also been able to share the costs associated with rises in specific fabric prices with our suppliers as a result of strong relationships and enhanced purchasing leverage as our business has grown in scale.

We select our suppliers only after production and quality control teams have closely evaluated their product based on cost, timeliness and reliability of delivery and quality. In general, our commercial agreements for the acquisition of raw materials provide that suppliers shall be subject to penalties in case of loss or delay or shipments, and that we are entitled to claim damages with respect to such incidents. We have a diversified supplier base of approximately 130 suppliers for finished products and 200 suppliers for raw materials across multiple countries. This diversification minimizes sourcing dependency and mitigates any potential disruption risk.

The commercial agreements with our suppliers of raw materials do not include any price adjustment provisions, and thus, the prices of raw materials are determined individually for each order. The raw materials (such as fabrics and accessories) are purchased in countries able to satisfy the highest quality standards, such as Italy.

In order to bring Twin Set products to market promptly, initial production begins following the purchase of the corresponding raw materials (i.e., before the start of the sales campaign). Initial production is based on order estimates determined through an analysis of orders collected during prior years for our pre-collections and collections. During the sales campaign, further production phases occur on the basis of preliminary sales data from collected orders. A final production phase begins in accordance with the definitive data for the orders collected. This process makes it possible to combine prompt customer service with careful control of product in stock.

Our core products, including tops, knitwear and dresses, are partly manufactured internally at facilities near our headquarters outside Modena. Some steps of the production process are still outsourced, however, such as the washing, cutting, sewing and portions of the ironing and knitting. For the year ended December 31, 2013, the in-house production of our core products accounted for roughly 30% of our total production. This enables us to maintain complete control over production and ensure that these signature products are consistent with the high-quality image of the Twin Set brand.

The remainder of our production is contracted out to third-parties in China, India, Albania and Tunisia. These third-party manufacturers operate under our strict supervision, particularly with respect to the technical specifications of the production, production time frames and deadlines, and quality control standards. Charters are in place with our suppliers and manufacturers covering ethical and environmental concerns. We conduct randomized tests on finished products to ensure compliance with these charters. Furthermore, we have developed strong long-term relationships with certain key suppliers, the precise commercial and legal nature of which varies from supplier to supplier but is based on the principle of close cooperation through strategic partnerships with a view to achieving better terms and maintaining a fast and responsive design-to-production cycle. Payments for orders from our suppliers are made throughout the year with the main portion of the payments being made in October and November for the fall/winter pre-collection and collection and in April and May for the spring/summer pre-collection and collection.

In the past three years we have not terminated any agreements with our third-party manufacturers due to violations of applicable law and regulations related to labor practices, occupational health or safety laws.

In order to ensure the quality of our products during the production process, we coordinate and supervise the in-house and third-party production stages through a team of quality inspectors charged with imposing uniform production and quality control standards. We also have close relationships with our providers of raw materials that enable us to constantly engage with them and purchase only the highest quality materials. We also manage and track product orders in order to ensure that our clients receive the products quickly and that they are satisfied with our service and the quality of our goods.

Additionally, in 2013, we created an independent head of quality control whose primary responsibility is to ensure the quality of our raw materials and our final products.

Our finished-products warehousing system is based in and around our headquarters outside of Modena. We contract with two separate independent warehousing companies to provide us with out-bound storage and shipment. After we have controlled the quality of our finished products we send them to one of these warehouses to await shipment. Orders from our agents, distributors, online customers or a DOS manager indicate that they need more supply of a particular product. Orders are therefore forwarded to third-party operators who then ship the necessary inventory. These warehouses comprise a combined 17,000 square meters and are able to process up to 35,000 pieces per day during peak season, with sufficient spare capacity to handle our expected growth over the next few years. We are the primary customer for each of these out-bound facilities and we believe we have good relationships with both providers.

Distribution

Within the wholesale channel, orders placed by our agents are shipped directly from our storage and distribution centers to the end purchasers with whom the agents have worked. Our distributors, on the other hand, place orders for themselves based on the amount of product they believe they will be able to sell to third-parties based on the sales campaign conducted in their home markets. In this case, we ship the product directly to the distributors who are then responsible to selling and distributing it their eventual customers.

We have limited space allocated for storage in our DOS, with much of the inventory being held in our contracted central warehousing facilities. Our DOS in Italy and elsewhere in Europe benefit from regular replenishment from our warehouses. Frequent re-stocking enables us to minimize inventory levels and the need for significant storage space at our DOS. It also allows us to vary the assortment of products offered in our DOS in order to match the demand of the location. Our new IT system will directly connect our DOS to our warehouses such that when an item needs re-stocking it can typically be dispatched quickly throughout Italy and Europe. We believe that this replenishment model will help ensure that only products required are re-ordered with the aim of maximizing sales and minimizing inventory risks. These efficiencies are some of the primary reasons management decided to move forward with our new IT system.

Distribution to our outlet stores occurs after product have gone unsold in our DOS. Unsold products are shipped back to our storage warehouses to make room in the DOS for our new collections. These unsold and returned products are then distributed to our outlets approximately one year later.

PREVENTION OF COUNTERFEITING

Our Group pursues a global strategy aimed at defending the Twin Set brand by combating and preventing trademark infringement and product counterfeiting. Our primary initiatives to prevent and combat infringement and counterfeiting include constant monitoring of the channels of commerce by both an in-house team and by external consultants who take action against counterfeiters and intercept the importation of such products.

RESEARCH AND DEVELOPMENT

Our Group's competitiveness depends primarily on the Twin Set brand's image and prestige and on our ability to produce innovative, fashion-forward apparel in line with customers' preferences and market trends. We therefore engage in various research and development activities to design, create and develop new products and use new materials in our divisions and product lines. Research and development costs for the year ended December 31, 2013 were equal to €2.0 million.

INTELLECTUAL PROPERTY

As of the date of this Offering Memorandum, the main trademarks or trade names that we use in our business are "Twin Set—Simona Barbieri" and "SCEE". These trademarks, and others (including certain variations thereof, domain names and logos), are registered in the countries in which we sell our relevant apparel and accessories products. In addition, we also protected certain of its product designs and trademarks with the intellectual property registries of Italy and the European Union.

We regard our intellectual property rights as valuable assets and take appropriate action to protect and, when necessary, enforce them. We are assisted by an outside intellectual property advisor for any matter related to the protection of our intellectual property rights. We have set up a strict policy concerning the protection of our intellectual property rights and legal action is taken in case of counterfeiting.

INFORMATION TECHNOLOGY SYSTEMS

We are in the process of introducing a scalable, integrated information technology platform that will allow us to track the sale of our products across countries by location and product. This new system will be live by the end of 2014. This centralized information system will allow us to monitor products and sales information (including inventory, orders and sales) on a real time basis. We also use a warehouse management system, a cash register management system in our DOS, a product life management system and an e-commerce management system. We believe that these IT systems enable us to be efficient and reactive to changes in demand and to respond in a timely manner to shifts in consumer tastes.

EMPLOYEES

As of March 31, 2014, we had 491 employees and personnel costs represented 10.3% of our total costs of the twelve months ended March 31, 2014. The following table shows the breakdown of those employees by category and location.

	Italy	Abroad
Senior executives	4	0
Managers	15	0
Clerical/administrative staff	170	0
Workers	34	0
Retail staff	253	15
Total	**476**	**15**
Combined total (Italy + abroad)	**491**	

Severance and retirement benefit obligations

Italian law provides that, upon termination of employment, Italian employees are entitled to severance pay (*trattamento fine rapporto*) based on their annual salary, length of employment and the rate of inflation. As of March 31, 2014, our provisions for retirement benefit obligations for our employees totaled €0.25 million and our liabilities for retirement benefit obligations totaled €0.47 million.

In addition, we have relationships with certain agents that distribute our products through the wholesale channel. As of March 31, 2014, we made provisions for pensions and similar obligations equal to €2.1 million.

Various phases of our production process are outsourced to third parties pursuant to standard agreements. There can be no assurance that their employees would not, as a result of certain Italian employment regulations, be considered employees of the Twin Set Group entitled to benefits that such a relationship would offer.

PROPERTIES

As of March 31, 2014, all of our properties are leased, including our headquarters and production facilities. As of that date, we operated forty DOS, all located in third-party properties that are leased by our subsidiaries. All our DOS and outlets are leased pursuant to commercial lease agreements. Nearly all the leases are subject to periodic rent reviews, lease expiries and renegotiations.

Most of our premises are located in highly frequented, and prime retail locations such as via Manzoni in Milan, via del Corso in Rome and Rue du Vieux-Colombier in Paris. In central shopping districts and in large cities in markets such as Italy, France, Germany and Spain, key money is generally payable to the landlord or former tenant.

We record commitments associated with our operating leases on our balance sheet based on the minimum payment that is required under the terms of the relevant lease. As of March 31, 2014, commitments under our operating leases totaled €49.4 million, of which €6.9 million matures before December 31, 2014, and €32.7 million matures in one to five years. See "*Management discussion and analysis of financial condition and results of operations—Liquidity and capital resources*".

INSURANCE

We maintain insurance to cover risks associated with the ordinary operation of our business, including, among others, general liability, property coverage and workers' compensation insurance. We insure our headquarters, distribution centers and stores against such hazards as fire, explosion, theft, flood, mischief and accidents. All of our policies are underwritten with reputable insurance providers, and we conduct periodic reviews of our coverage limits and deductibles. We believe that our insurance coverage is standard for our industry and sufficient for the risks associated with our operations.

LITIGATION AND OTHER PROCEEDINGS

We are party to civil and administrative proceedings (including tax audits) and to legal actions in the normal course of our business. On the basis of information currently available, we believe that the provisions recorded in our balance sheet in respect of these proceedings, litigation or disputes, known or outstanding at year-end, are sufficient and, we do not believe that we are engaged in any litigation or proceedings which, if decided adversely, would have a material adverse effect on our operations, taken as a whole, or on our financial position.

REGULATORY MATTERS

We are subject to the applicable laws and regulations of the respective countries in which we operate. Our regulatory environment in the area of textile manufacturing and sale of textiles is characterized by numerous national, supranational and international laws and regulations. These particularly include requirements with respect to the import and export of goods, product liability and consumer protection.

Foreign trade and customs law

We source most of our products from Europe, China, India, Tunisia and Albania. Within the European internal market the principle of free movement of goods applies. With respect to the import and export of goods from countries that are not members of the EU, we must comply with national and European foreign trade and customs regulations. At the EU level, our relevant regulatory framework is based on the Modernized Customs Code (Regulation (EC) No 450/2008). Since January 1, 2008, there have not been any general restrictions on the import of textiles into the EU.

Whereas imports and exports within the EEA are in principle not liable to customs duty, the movement of goods beyond the frontiers of the European Economic Area is subject to customs control. The customs control charges, inter alia, statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed.

Product liability and textile labeling law

We are subject to European Regulation 1007/2011/EU which concerns textile names and labeling. Pursuant to this regulation, textiles may only be made available on the European market if they are labeled with certain information regarding the nature and proportion of the materials used to create the product.

Consumer protection law

We must also comply with various consumer protection regulations with respect to the marketing and sale of products to customers, including the Italian Consumer Code (*Codice del Consumo*).

Data protection law

As retailers generally process customer data for marketing purposes, compliance with data protection laws must be ensured. In Italy, we are subject to the Italian Data Protection Code (Italian Legislative Decree No. 196/2003) for the collection of personal data from customers.

ENVIRONMENTAL MATTERS

Our facilities and operations are subject to environmental and occupational health and safety laws and regulations in each of the jurisdictions in which we operate. These laws govern, among other things, the discharge of pollutants into the air, water and land, the use, storage and disposal of hazardous substances and wastes and the clean-up of contaminated properties.

Violations of environmental laws and permits can result in significant fines or civil or criminal sanctions. In addition, the discovery of significant contamination at our facilities could require us to incur cleanup costs. Finally, environmental permits required for some of our operations may be reviewed, modified or revoked by the issuing authorities. We believe that we are in material compliance with environmental laws and permits applicable to our business. However, from time to time, we incur costs to maintain or achieve compliance with such requirements. Our past environmental and occupational health and safety costs have not significantly affected our operations, and such costs going forward are not expected to be material.

Management

The following is a summary of information relative to management and certain provisions of our bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and does not purport to be complete.

The Issuer is the surviving entity resulting from the merger of Light Force into the Issuer on December 30, 2012 (the "**Merger**"). The Issuer was converted from a limited liability company (*società a responsabilità limitata*) into a joint stock corporation (*società per azioni*) on July 9, 2014, and is incorporated under the laws of the Republic of Italy and registered under number 07889180969 with the Companies Register of Modena (*Registro delle Imprese di Modena*). The Issuer's registered office is located at Via Della Chimica, 21, 41012, Carpi (MO), Italy and its telephone number is + 39 059 6257 511.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more managing directors. Under Italian law, the board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body.

DIRECTORS AND SENIOR MANAGEMENT

Directors

As of the date of this Offering Memorandum, our Board of Directors is composed of seven members. The current members of the Board of Directors were appointed on December 31, 2012 in connection with the Merger and as approved by the then-quotaholders on October 5, 2012. Current members will hold office until the date of the shareholders' meeting to approve the financial statements as of December 31, 2014. The business address of each member of the Issuer's Board of Directors is the registered address of the Issuer, Via Della Chimica, 21, 41012, Carpi (MO), Italy.

The following table lists the current members of our board of directors as of the date of this Offering Memorandum.

Name	Position	Age
Marco Diego De Benedetti	Chairman, Non-Executive Director	51
Tiziano Sgarbi	Chief Executive Officer, Director	54
Simona Barbieri	Director	52
Gesualdo Di Bernardo	Non-Executive Director	51
Filippo Penatti	Non-Executive Director	43
Massimiliano Caraffa	Non-Executive Director	39
Francesco Malvezzi	Non-Executive Director	32

Set forth below is certain biographical information relating to the members of the Issuer's Board of Directors.

Marco Diego De Benedetti is the Chairman of the Board of Directors. Mr. De Benedetti received a degree in economics from Wesleyan University in Middletown, Connecticut in 1984 and an MBA from the Wharton Business School in 1987. From 1998 to 2005, he was chief executive officer of TIM S.p.A. and from July 2005 to October 2005, chief executive officer of Telecom Italia S.p.A. Since November 2005, he has been a managing director of Carlyle. He currently sits on the boards of directors of Cofide S.p.A. (where he also serves as chief executive officer), Moncler S.p.A., Parmalat S.p.A., Marco De Benedetti Consulting S.r.l., CommScope Holding Company, Inc. and NBTY, Inc. In addition, he is a director of the non-profit organization Save the Children Italia.

Tiziano Sgarbi is a co-founder of Light Force. Throughout his career he has managed the distribution and development of the products created by his wife, Mrs. Simona Barbieri. After starting two companies to manufacture and distribute knitwear products, Mr. Sgarbi and Mrs. Barbieri incorporated Light Force in 1987. Light Force manufactured products under the Twin Set brand until the Merger.

Gesualdo Di Bernardo graduated from the Università degli Studi di Genova with a degree in electronic engineering and received an MBA from INSEAD in 1998. Before joining Carlyle, Mr. Di Bernardo was a Senior Associate with The Boston Consulting Group where he worked on transactions in the pharmaceutical, retail, and textile industries. He is currently a member of the Board of Directors of Twin Set and the managing director of Liviana Conti.

Simona Barbieri is the co-founder of Light Force and the stylistic creator of the clothing line associated with the Twin Set brand. Before launching the brand, Mrs. Barbieri studied and practiced as a stylist in Modena. Since the beginning of her career, Mrs. Barbieri has created successful products in the fashion market that are characterized by the romantic style that has become a hallmark of the Twin Set brand. After starting two companies to manufacture and distribute knitwear products, Mrs. Barbieri and Mr. Sgarbi incorporated Light Force in 1987. Light Force manufactured products under the Twin Set brand until the Merger.

Filippo Penatti received a Master of Science with honors in nuclear engineering from Politecnico di Milano and a Master's Degree in economics and management from Scuola Mattei of ENI. He worked as a consultant for McKinsey & Company before joining Carlyle in 2000. Throughout his career he has been actively involved in Carlyle's portfolio companies. In addition to serving as a director of the Issuer, Mr. Penatti serves as a member of the boards of directors of Marelli Motori S.p.A. and Industries S.p.A., the operating company of the Moncler Group. He has previously served as a director of Moncler S.p.A., Tecnoforge Fittings and Flanges, a division of Valvitalia S.p.A., as a Director of the European Buy-out fund (CEP), part of the Carlyle Group and as an observer on the board of directors of Avio S.p.A. Mr. Penatti is also member of the buy-out commission of AIFI, the Italian Private Equity and Venture Capital Association.

Massimiliano Caraffa graduated from the Università degli Studi di Genova with a degree in electronic engineering and received an M.B.A. from INSEAD. Before joining Carlyle in 2004, Mr. Caraffa was a consultant with McKinsey & Company for three years. Throughout his career he has advised companies on European buyout opportunities. In addition to serving as a director of the Issuer, Mr. Caraffa is currently a member of the board of directors of Marelli Motori S.p.A. and was previously a member of the board of directors of Moncler S.p.A.

Francesco Malvezzi graduated from the Università Commerciale Luigi Bocconi of Milan in economics with honors. Before joining Carlyle in 2008 he worked for Ferrero S.p.A., an international confectionery company, and as a consultant with the Boston Consulting Group. Throughout his career, he has been actively involved with Carlyle's portfolio companies.

Senior management

The following table sets forth the age and position of the senior managers of the Group:

Name	Age	Position
Tiziano Sgarbi	54	Chief Executive Officer
Simona Barbieri	52	Creative Director
Genis Ganassi	47	Commercial Director
Paolo Fietta	46	Chief Corporate Officer
Paolo Matteini	52	Chief Financial Officer
Walter Pavan	47	Retail Manager
Mauro Daffara	44	Operations Director
Emanuele Smerieri	41	HR Director
Marcello Magnani	44	Wholesale Italy Manager
Enrico Fantaguzzi	37	E-commerce Manager
Tiziana Mora	39	Marketing Director

The senior managers listed above are considered relevant to our assertion that we have the appropriate expertise and experience for the management of our business. The business address of each of the senior managers of the Group is the registered address of the Issuer, Via Della Chimica 21, 41012, Carpi (MO), Italy.

Set forth below is certain biographical information relating to the members of the Group's senior management.

Tiziano Sgarbi see "*—Directors*" for a description of Mr. Sgarbi's management experience.

Simona Barbieri see "*—Directors*" for a description of Mrs. Barbieri's management experience.

Genis Ganassi graduated from the Università degli Studi di Bologna with a degree in translating and interpreting. Prior to joining the Issuer in October 2012 as our Commercial Director, Ms. Ganassi worked as a retail director for Max Mara, Furla, Mandarina Duck and Jil Sander. Ms. Ganassi has more than 20 years of experience in sales roles the fashion industry.

Paolo Fietta graduated from the Università Commerciale Luigi Bocconi of Milan in economics. He has more than 20 years of experience in financial roles. He worked for some of the major listed companies, including Unisys, a world-wide information technology company, RCS, one of the leading Italian publishing groups, Parmalat, as senior manager of the restructuring team, YOOX, the market leader in the fashion e-commerce industry and Aion Renewables. Mr. Fietta joined the Issuer in October 2012. Until May 2014, Mr. Fietta served as the Issuer's Chief Financial Officer, and currently serves as its Chief Corporate Officer. Mr. Fietta will serve as the Chief Corporate Officer on an interim basis until the end of 2014.

Paolo Matteini graduated with honors from the Università di Roma la Sapienza in chemical engineering, received an MBA from the Università Commerciale Luigi Bocconi of Milan and earned a post-graduate diploma from the Saïd Business School, Oxford. He has more than 20 years of experience in financial roles and worked for GE, Bristol-Myers Squibb, De Cecco and Miroglio before joining the Issuer in May 2014 as our Chief Financial Officer.

Walter Pavan graduated from Università Ca' Foscari of Venice in economics. Mr. Pavan joined the Issuer in April 2013, and is currently our Retail Manager. He previously worked for Stefanel, international fashion group, and Geox.

Mauro Daffara graduated from the Politecnico di Torino in textile engineering. Prior to joining the Issuer as our Operations Manager, Mr. Daffara worked with Invicta, hand bag producer, Ermenegildo Zegna, one of the leading brands in men's fashion and Liu Jo, an Italian luxury fashion brand. Mr. Daffara has more than 20 years of experience with operations in the fashion market.

Emanuele Smerieri graduated from the Università degli Studi di Modena in economics. Prior to joining the Issuer in June of 2012, Mr. Smerieri worked for Wamgroup, Giorgio Armani Operations. He has 14 years of HR experience and has been focused in the fashion industry for the past six years.

Marcello Magnani graduated from the Università degli Studi di Parma in law. Prior to joining Twin Set in June 2007, he worked for Max Mara. Throughout his career he gained more than 20 years' experience in the market sector covering sales roles. Mr. Magnani is currently our Wholesale Italy Manager.

Enrico Fantaguzzi graduated from the IULM University of Milan in public relations. Mr. Fantaguzzi joined the Issuer in September 2013 and is currently our E-Commerce Manager. He has worked for Disney, YOOX and Gucci.

Tiziana Mora graduated from the Università Commerciale Luigi Bocconi of Milan in economics. Prior to joining the Issuer in April 2013 as our Marketing Manager, Ms. Mora worked for Value Partners, a management consulting company and Luxottica, leader in the production of eyewear. She has a 14 years career experience of which the last eight have been spent focusing on the luxury fashion industry.

Senior management compensation

The aggregate compensation paid to the senior management of the Group for the year ended December 31, 2013 was €1.9 million, consisting of fixed salaries and performance-related bonuses. As of the date of this Offering Memorandum, the Issuer does not maintain a stock option plan.

Covered warrants

Following the Merger, some of our principal executives and individuals playing a strategic role in the Group invested in financial instruments (the "**Covered Warrants**") issued by CEP III Investments 19 S.à. r.l., a limited liability company established in Luxembourg, indirectly controlled by Carlyle. The Covered Warrants are Luxembourg law-governed freely-transferable derivative financial instruments that permit their holders to link their investment performance to the investment made by CEP III in the Company.

ISSUER'S BOARD OF DIRECTORS PRACTICES

The Issuer's Board of Directors is composed of seven directors, pursuant to the provision of its by-laws (*statuto*). The Issuer's Board of Directors may perform all acts for the ordinary and extraordinary management of the Issuer, except for those actions reserved by law or for the shareholders' meeting pursuant to the Issuer's by-laws. The Directors hold their office for the time specified at the time of appointment.

Audit and remuneration committees

We have not adopted separately established audit and remuneration committees. The Board of Directors as a whole, or its delegated members, fulfills these functions as and when required.

BOARD OF STATUTORY AUDITORS

Pursuant to applicable Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*) whose purpose is to oversee the Issuer's compliance with the law and its own by-laws, verify the Issuer's compliance with best practices in the administration of its business, and assess the adequacy of the Issuer's internal controls and accounting reporting systems, including the adequacy of the procedures in place for the exchange of information between it and its subsidiaries.

Currently, there are three auditors and two alternate auditors on the Issuer's board of statutory auditors.

Members of the board of statutory auditors are appointed by the shareholders of the Issuer at ordinary shareholders' meetings and serve three-year terms that expire on the date of the third ordinary shareholders' meeting called to approve the financial statements since their appointment. At least one of the auditors and one of the alternate auditors must be selected from among the legal auditors registered with the relevant special registry in Italy. Members of the board of statutory auditors may be removed only for a valid reason including the lack of the legal requirements necessary for appointment to board. The terms of office of the current members of the board of statutory auditors are scheduled to expire on the date of the ordinary shareholders' meeting called to approve the financial statements for the year 2014.

The following table identifies the current members of the statutory board of auditors of the Issuer, who were all elected on July 25, 2012, together with their age and title.

Name	Age	Position
Maurizio Salom	60	Chairman
Paolo Rinaldi	47	Auditor
Roul Francesco Vitulo	60	Auditor
Luigi Bechelli	44	Alternate Auditor
Giovanni Tedeschi	59	Alternate Auditor

The business address for each of the members of the Issuer's board of statutory auditors is Via Della Chimica, 21, 41012, Carpi (MO), Italy.

Set forth below is certain biographical information relating to the members of the Issuer's board of statutory auditors.

Maurizio Salom graduated from the Università Commerciale Luigi Bocconi of Milan in business economics. He was admitted to the roll of Chartered Accountants in 1987. Mr. Salom has served as a statutory auditor of Permasteelisa S.p.A. and Interpump Group S.p.A., and as a standing Auditor of Seat Pagine Gialle S.p.A. He is currently a member of the Board of Statutory Auditors of Aero Invest 1 S.A., Esaote S.p.A and Avio S.p.A. and the chairman of the board of auditors of Guala Closures Group.

Paolo Rinaldi graduated from Università di Modena in economics and business in 1990. He was admitted to the roll of Chartered Accountants in 1992. Mr. Rinaldi specializes in tax litigation and provides accounting, tax and corporate services through his own firm in Modena.

Roul Francesco Vitulo holds a degree in economics and business from the Universita' Commerciale Luigi Bocconi in Milan. He was admitted to the roll of Chartered Accountants in 1983. Mr. Vitulo is a chartered accountant and a chartered auditor with an additional qualification in corporate finance. He is currently a partner at Deloitte Financial Advisory Services S.p.A., where he provides financial appraisals and advises clients with respect to their acquisitions, sales and initial public offerings. His experience includes current and past roles as chairman of the board of statutory auditors and statutory auditor for numerous companies in a variety of sectors, including manufacturing, aerospace and retail. Mr. Raoul Francesco Vitulo had serves on the board of statutory auditors of Moncler S.p.A. since 2010.

Luigi Bechelli holds a degree in economics and business from Università di Modena in 1993. He was admitted to the roll of Chartered Accountants in 1995. Mr. Bechelli's activity focuses on assisting businesses in the preparation of their financial statements and consulting companies involved in insolvency proceedings.

Giovanni Tedeschi holds a degree in economics and business from Università Cattolica del Sacro Cuore, Milan.He was admitted to the roll of Chartered Accountants in 1985. Mr. Tedeschi activity focuses on assisting banks and private equity funds in structuring, incorporation and assistance in extraordinary operations.

Principal shareholders

THE ISSUER

As of the date of this Offering Memorandum, the Issuer's capital amounted to €522,400 which has been fully paid-up and allocated between two shareholders as follows:

	Percentage of share capital
CEP III Participations S.à. r.l. SICAR(1)	72%
Mo.Da Gioielli S.r.l.(2)	28%
Total	100%

(1) CEP III Participations S.à r.l. SICAR, an investment company in risk capital constituted as a limited liability company organized under the laws of the Grand Duchy of Luxemburg (*société d'investissement à capital risqué sous la forme d'une société à responsabilité limitée*), is wholly-owned by Carlyle Europe Partners III L.P., a partnership organized under the laws of the United Kingdom, which, together with their affiliates, do business as Carlyle. Carlyle is a global alternative asset manager engaged in various activities, which may include securities trading, financial advisory, investment management, principal investment, hedging and financing activities. In the ordinary course of its various business activities, Carlyle may, through one or more affiliates, make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments).

(2) Mo.Da Gioielli S.r.l is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy ("**Mo.Da**"). Mo.Da is owned by Mrs. Simona Barbieri (36.3%) and Mr. Tiziano Sgarbi (63.7%). Mrs. Barbieri and Mr. Sgarbi are the co-founders Light Force, the company that produced products under the Twin Set brand until it was merged into the Issuer in December 2012.

Relations between Carlyle and the shareholders of Mo.Da are governed by the by-laws of the Issuer and the Shareholders Agreement. See "—*Shareholders' Agreement*".

SHAREHOLDERS' AGREEMENT

On July 25, 2012 CEP III, Simona Barbieri, Tiziano Sgarbi, and Mo.Da, signed a shareholders' agreement which was subsequently amended on July 9, 2014 (the "**Shareholders' Agreement**"). The Shareholders' Agreement governs, among other things, the corporate governance of the Issuer, transfer restrictions on the shares of the Issuer, and relations among the parties to the Shareholders' Agreement. The Shareholders' Agreement expires on July 25, 2017, and thereafter automatically renews for five-year periods unless terminated in writing. The Shareholder's Agreement is governed by Italian Law.

Corporate governance provisions

The Shareholders' Agreement establishes, among other things, the following:

- the board of directors of the Issuer will consist of seven members, nominated on the basis of a slate voting mechanism, as set forth in the Bylaws, pursuant to which: (i) two members are nominated by Mo.Da; and (ii) five members nominated by CEP III;
- so long as Mr. Sgarbi is the CEO of the Issuer, CEP III will have the right to appoint the Chairman of the Board of Directors;
- the parties to the Shareholders' Agreement agree to appoint and maintain Mr. Sgarbi as Chief Executive Officer until the approval of financial statements of the Issuer related to the fiscal year ended December 31, 2016. Upon the automatic renewal of the Shareholders' Agreement, the parties may reappoint Mr. Sgarbi as Chief Executive Officer for an additional two consecutive two-year terms;
- the parties to the Shareholders' Agreement agree to appoint and maintain Mrs. Barbieri as Creative Director;

- the directors nominated from the slate submitted by Mo.Da have a veto right over certain matters reserved to the Board of Directors, including:
  - deliberate increases in any form of capital financing, except those required to comply with covenants entered into with lending banks and those permitted by law;
  - incurrence of indebtedness exceeding €5 million in a single transaction before the Subordinated Shareholder Loan has been repaid;
  - extraordinary transactions (e.g., real estate transactions for more than €3 million, transfer of the business as a going concern and the sale, assignment or transfer of the Issuer's trademarks);
  - transactions with related parties;
  - issuance of guarantees for amounts exceeding €5 million; and
  - until the Subordinated Shareholder Loan has been repaid in full, acquisitions or dispositions of investments, or taking on loans wherein the value exceeds €5 million and any acquisitions or dispositions of real property valued at or exceeding €3 million;
- Tiziano Sgarbi, so long as he holds the office of Chief Executive Officer, has a right of initiative with respect to certain resolutions to be passed by the Board of Directors, including those regarding the annual budget, the business plan, and/or business strategy, including geographic expansion, the opening and closing of stores, the buying and using of new brands, and the licensing and/or distribution arrangements;
- resolutions of certain matters are reserved to the shareholders meeting and must be approved by an 85% vote of the shareholders including, among others:
  - capital increases;
  - amendments to the Bylaws;
  - changes in the corporate purpose to the extent that such changes lead to significant changes in corporate activity;
  - the issue of convertible bonds or other equity instruments, or dividends of any type;
  - the approval of mergers, spin-offs, changes in corporate structure, voluntary wind-ups or liquidations;
  - distribution of reserves and dividends before the Subordinated Shareholder Loan has been repaid; and
  - transactions with related parties.
- the board of statutory auditors will be composed of five members, three effective auditors and two alternate auditors, nominated on the basis of a slate voting mechanism, as set forth in the Bylaws, pursuant to which: (i) one effective auditor and one alternate auditor nominated by Mo.Da.; and (ii) the remaining members nominated by CEP III; and
- in addition to certain periodic disclosures, shareholders may obtain information regarding management and business trends from the corporation at any time.

Transfer restrictions; lock-up

The Shareholders' Agreement contains the following transfer restrictions and lock-up provisions:

- Mr. Sgarbi and Mrs. Barbieri may not sell or transfer their respective shares of Mo.Da, nor may Mo.Da sell or transfer its respective shares of the Issuer for the life of the Shareholders' Agreement, including during the automatic renewal of the Shareholders' Agreement;
- CEP III may not sell or transfer its respective shares of the Issuer until July 25, 2014, and thereafter CEP III may only transfer or sell all or part of its shares of the Issuer to an unrelated third party listed on a regulated market;

- a pledge on shares may be granted only to secure obligations of the Issuer and its subsidiaries vis-à-vis financial institutions and bond holders;
- a right of first offer is granted to Mo.Da in any case of a transfer by CEP III to third parties of all of its shares, or shares constituting a majority interest in the Issuer;
- a tag along right is granted to Mo.Da such that (i) if CEP III proposes to sell or transfer a number of its share so that persons and/or entities different from CEP III hold more than 50% of the total shares of the Issuer, Mo.Da has the right to sell 100% of its interests to the third-party buyer or transferee and (ii) if CEP III proposes to sell or transfer a number of its share so that CEP III continues to hold more than 50% of the total shares of the Issuer, Mo.Da has the right to sell, to the third party buyer or transferee, a portion of its interests pro rata with the amount sold by CEP III. In addition, in the event under (i) above and if Mo.Da exercises its tag along rights, CEP III must ensure that either (i) the third-party acquirer purchases Mo.Da's rights under the Subordinated Shareholder Loan (whose terms and conditions will remain unchanged) or (ii) the Subordinated Shareholder Loan is repaid in full, provided that, the liens against the proceeds of the Subordinated Shareholder Loan has been released. These tag along rights are not triggered in the context of an IPO;
- a drag along right is granted in favor of CEP III such that if CEP III receives an offer from a third party to purchase the entire share capital of the company Mo.Da shall be obliged to sell its own shares to said third party. Mo.Da's obligation to sell its shares under the drag along are conditioned upon (i) the third-party acquirer purchasing Mo.Da's rights under the Subordinated Shareholder Loan (whose terms and conditions will remain unchanged) or (ii) repayment in full of the Subordinated Shareholder Loan, provided that, the lien against the proceeds of the Subordinated Shareholder Loan has been released;
- the right of first offer, the tag along right and the drag along right cannot be exercised if the transfers of CEP III's shares occurs in the context of a pledge execution or forced sale;
- if CEP III intends to sell a portion of its shares of the Issuer such that CEP III will continue to hold more than 50% of the shares of the Issuer, CEP III must obtain written approval from Mo.Da as to the prospective buyer;
- CEP III and/or the Issuer have the right to either (i) purchase Mo.Da's rights under the Subordinated Shareholder Loan (whose terms and conditions will remain unchanged) or (ii) repay all amounts outstanding under the Subordinated Shareholder Loan, provided that (i) the obligations secured by the receivables in respect of the Subordinated Shareholder Loan have been discharged and (ii) the liens over the receivables in respect of the Subordinated Shareholder Loan have been released. Notwithstanding the foregoing, repayment of the Subordinated Shareholder Loan would not occur prior to the date falling one year after the Final Discharge Date in the circumstances described above. In any case, repayment of the Subordinated Shareholder Loan by the Issuer prior to the maturity of the Notes would be a "Restricted Payment" pursuant to the Indenture and therefore any pre-payment thereof prior to maturity of the Notes would only be permitted in compliance with the covenant described in "*Description of the Notes—Certain covenants—Restricted payments*";
- in the context of an IPO of the Issuer, CEP III and Mo.Da shall use their best efforts to ensure that, prior to, or simultaneously with, the IPO the Subordinated Shareholder Loan is repaid in full, provided that, the lien against the proceeds of the Subordinated Shareholder Loan has been released;
- no initial public offering for shares of the Issuer shall take place before July 25, 2015, and thereafter CEP III has the sole discretion to determine whether to proceed with any initial public offering. All negotiations, settlements and transfers to third parties with respect to any initial public offering are under the full autonomy of CEP III;
- Mr. Tiziano Sgarbi and Mrs. Simona Barbieri grant a call option to CEP III for their entire ownership in Mo.Da, exercisable upon certain serious violations of the Shareholders' Agreement; and

- Mo.Da grants a call option to the Issuer exercisable between April 25, 2014 and July 25, 2014 to acquire (i) Mo.Da's ownership of Liviana Conti for €12,000,000, and/or (ii) Mo.Da's ownership in K8 S.r.l. for €2,000,000.

Additional provisions

In addition to the foregoing, the Shareholders' Agreement contains the following additional provisions:

- In the event that either CEP III or Mo.Da provides notice terminating the Shareholder Agreement the party in receipt of the notice of termination will have the right to either (i) purchase all of the shares of the Issuer held by the party giving notice of termination at a discounted price or (ii) sell all of its shares of the Issuer to the party giving notice of termination at an increased price. Moreover, in the case that (a) Mo.Da is the party giving notice of termination and CEP III exercises its right to purchase all of the shares of the Issuer held by Mo.Da or (b) CEP III is the party giving notice of termination and Mo.Da exercises its right to sell all of its shares of the Issuer to CEP III at an increased price, Mo.Da has the right (i) to require CEP III to purchase Mo.Da's rights under the Subordinated Shareholder Loan (whose terms and conditions will remain unchanged) or (ii) require the repayment in full of the Subordinated Shareholder Loan, provided that, the liens against the proceeds of the Subordinated Shareholder Loan has been released.
- Mr. Tiziano Sgarbi, Mrs. Simona Barbieri, and Mo.Da expressly waive their own commercial use of trademarks, logos, and intellectual property rights owned by the Issuer as well as the name "Simona Barbieri"; and
- Subject to certain exceptions, Mr. Tiziano Sgarbi, Mrs. Simona Barbieri, and Mo.Da will not hold any ownership or management position in any company that engages in the design, technical consulting, styling, production, or marketing of clothing, nor will they encourage customers, employees, consultants, or distributors to change their relationship with the Issuer or create a new relationship with any competitor company of the Issuer so long as they or any of their direct descendants hold any interest in the Issuer.

Certain relationships and related party transactions

The following sets forth information relating to transactions between us and members of the Board of Directors and other related parties. For a description of certain other related party transactions, see footnote 23 to our audited consolidated financial statements as of and for the year ended December 31, 2013.

TRANSACTIONS WITH RELATED PARTIES

Commercial transactions as of December 31, 2013

The following table sets out the details of material commercial transactions between the Issuer and subsidiaries or parent companies, or companies subject to their control, and indicates the total debtor and creditor balances, sales, purchases and other revenue or costs for the year ended December 31, 2013. All transactions with related parties are governed by contracts that have been entered into through arms-length transactions and pursuant to fair-market conditions and rates.

			Costs		Revenue		
	Receivables	**Payables**	**Goods**	**Services**	**Goods**	**Services**	**Other**
			(thousands of €)				
Liviana Conti	274.8	—	—	—	—	70.0	86.7
Mo.Da	347.9	2.5	—	407.9	—	—	—
Total	622.7	2.5	—	407.9	—	70.0	86.7

Transactions with Liviana Conti

Revenue and receivables from Liviana Conti, which is a wholly-owned subsidiary of Mo.Da, relate to (i) agreements pursuant to which the Issuer provided Liviana Conti with stylistic and product consultancy services and (ii) a lease pursuant to which Liviana Conti sublets office space in Bologna from the Issuer which expires in 2015 and renews automatically for a term of six years. For the fiscal year 2014, we currently expect to receive revenue and receivables from Liviana Conti that are broadly in line with the fiscal year 2013.

Transactions with Mo.Da

The receivables and costs from commercial transactions with Mo.Da derive principally from various lease agreements between Mo.Da and the Issuer, and include the security deposits paid to Mo.Da pursuant to those agreements. These lease agreements are for office, production and warehouse space, and typically provide for automatic renewals of the agreements upon their respective terminations. For the fiscal year 2014, we currently expect to pay rental expenses to Mo.Da that are broadly in line with the fiscal year 2013. In addition, Mo.Da is the lender under the Subordinated Shareholder Loan. See "*Description of certain financing arrangements—Subordinated shareholder loan*" for more information.

Commercial transactions post December 31, 2013

In addition to the transactions discussed above, Twin Set Shoes S.r.l. ("**Twin Set Shoes**") has entered into two lease agreements with its minority shareholder, Jamping S.r.l. ("**Jamping**"), pursuant to which Twin Set Shoes leases production and management facilities from Jamping. Each lease expires in 2020 with an automatic six-year renewal period. The combined yearly rent due under the two leases is €120,000. Furthermore, the Issuer, Twin Set Shoes and Jamping have entered into a commercial agreement to facilitate collaboration with respect to the design and production of shoes. Under this commercial agreement, which has a term of five years, Twin Set Shoes manufactures and produces certain shoes upon orders received from the Issuer. All of the lease agreements and the commercial agreement have been entered into through arms-lengths transactions and are governed by fair-market contracts. A discussion of these agreements is not included above because the agreements were entered into in April 2014, and were, therefore, not included in the discussion of related-party transactions as of December 31, 2013.

SHAREHOLDERS' AGREEMENT

See "*Principal shareholders—Shareholders' agreement*", for a discussion of the material terms of the Shareholders' Agreement.

Description of certain financing arrangements

The following summary of our significant indebtedness does not purport to be complete and is subject to, and qualified by, the underlying documents.

REVOLVING CREDIT FACILITY

In connection with the Offering, the Issuer will have entered into the Revolving Credit Facility Agreement, on July 22, 2014, with, amongst others, UBS Limited, Cassa di Risparmio di Bologna S.p.A. and UniCredit S.p.A. as mandated lead arrangers and original lenders and UniCredit Bank AG, Milan Branch as security agent (the "**Security Agent**") and as facility agent (the "**Agent**") for the purposes described below (the "**Revolving Credit Facility Agreement**"). The Issuer is the only original borrower and an original guarantor under the Revolving Credit Facility Agreement.

Structure

The Revolving Credit Facility Agreement provides for a revolving credit facility of €10.0 million (the "**Revolving Credit Facility**").

Subject to the terms of the Revolving Credit Facility Agreement and any ancillary documents, a lender (or an affiliate) under the Revolving Credit Facility may make available a facility (each an "**Ancillary Facility**" and, together, the "**Ancillary Facilities**") to any of the borrowers (or certain affiliates) in place of all or part of its undrawn commitments under the Revolving Credit Facility.

Subject to the terms of the Revolving Credit Facility Agreement, the Issuer may establish an additional revolving credit facility (each an "**Additional Facility**" and, together, the "**Additional Facilities**") under the Revolving Credit Facility Agreement, provided that the maximum aggregate principal amount outstanding under all such Additional Facilities may not at any time result in a breach of the limitation of indebtedness covenant or the limitation on liens covenant in the "**Description of the Notes**" (see "*Description of the Notes—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*") after taking into account the application of the proceeds of the incurrence of such indebtedness and provided that no Permitted Refinancing Indebtedness, Structural Adjustment or increased Commitment (each as defined in the Revolving Credit Facility Agreement) established pursuant to the Revolving Credit Facility Agreement shall be treated as (or outstanding under) an Additional Facility. An Additional Facility may only be established so long as no event of default is continuing under the Revolving Credit Facility Agreement at the time of, or would result from, drawings under such Additional Facility. Each Additional Facility shall rank pari passu with the Revolving Credit Facility, shall benefit from the same guarantees and security as the Revolving Credit Facility and must not mature prior to the original maturity date of the Revolving Credit Facility.

The Revolving Credit Facility, the Ancillary Facilities and the Additional Facilities are, collectively, the "**Facilities**".

Purpose

Drawings (which, subject to certain conditions, may include the issuance of letters of credit and bank guarantees) under the Facilities must be used to fund the general corporate purposes and/or working capital requirements of the Issuer and its restricted subsidiaries (the "**Restricted Group**"), including, without limitation, any capital expenditure of the Restricted Group and any acquisitions of assets, shares or businesses permitted under the Revolving Credit Facility Agreement, but may not be applied toward payment of any dividends or distribution or toward the repayment, prepayment, purchase, defeasance, redemption, acquisition, or retirement of the liabilities under the Notes.

Interest and fees

Drawings under the Revolving Credit Facility Agreement bear interest at floating rates of interest per annum equal to EURIBOR (or, for drawings not in euros, LIBOR) plus the following applicable margins:

(a) in relation to the Revolving Credit Facility, 3.50% per annum;

(b) in relation to any Ancillary Facility, the rate per annum specified in the relevant Ancillary Facility notice; and

(c) in relation to any Additional Facility, the rate per annum specified in the relevant Additional Facility notice, such rate not to exceed the applicable margin under the Revolving Credit Facility by more than 1.50%.

Beginning with the date falling six months after the Issue Date, if no event of default under the Revolving Credit Facility Agreement is continuing and the ratio of consolidated net debt to Reported EBITDA (the "**Consolidated Net Leverage Ratio**") as at the end of each financial quarter in respect of the preceding twelve-month period is within a range set out below, the margin for any loans under the Revolving Credit Facility will be the relevant percentage per annum set out below:

Consolidated net leverage ratio:	Margin:
Over 2.50:1	3.50%
2.50:1 or less but greater than 2.00:1	3.25%
2.00:1 or below	3.00%

Whilst an event of default under the Revolving Credit Facility Agreement is continuing, the margin will be the highest percentage per annum margin set out above, until the date on which such event of default ceases to be continuing, whereupon the margin will revert to the level determined in accordance with the Consolidated Net Leverage Ratio described above.

Interest on overdue amounts under the Finance Documents (as defined in the Revolving Credit Facility Agreement) is payable immediately within three business days of demand at a rate 1.00% higher than that which would have applied otherwise.

The Issuer is required to pay a commitment fee on available but unused commitments at a rate equal to 30.0% of the then applicable margin for each relevant facility from the Issue Date until the end of the availability period in respect of the relevant facility.

Security and guarantees

The Facilities will be guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor, which will be the same as those entities that guarantee the Notes (with the Issuer being the only original guarantor). Such guarantees will rank *pari passu* with the guarantees of the Notes, subject to the terms of the Intercreditor Agreement and applicable limitations stipulated in the Revolving Credit Facility Agreement. The Facilities as a whole will initially be secured by liens on the same collateral as those securing the Notes, consisting of a first-ranking lien over all of the shares in the Issuer, certain intellectual property rights of the Issuer and by a pledge of the receivables in respect of the Subordinated Shareholder Loan. Such liens will rank *pari passu* with the liens securing the Notes, subject to the terms of the Intercreditor Agreement.

The Revolving Credit Facility Agreement also requires that, subject to certain exceptions, the value of the aggregate of the Reported EBITDA and gross assets of the obligors under the Revolving Credit Facility Agreement shall each be at least 80% of the consolidated Reported EBITDA and gross assets of the Restricted Group (the "**Guarantor Coverage Test**"). The Guarantor Coverage Test is tested on an annual basis.

Representations and warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications), including as to status, binding obligations, non-conflict with constitutional documents, applicable laws or regulations or other agreement or instrument binding on any member of the Restricted Group or any of their respective assets to an extent which has or is reasonably likely to have a material adverse effect, power and authority, validity and admissibility into evidence, no filing or stamp taxes, no default, solvency, no proceedings pending or threatened, no breach of laws, good title to assets, accuracy of the group structure chart, base case model and most recent financial statements delivered, governing law and enforcement of Finance

Documents (as such term is defined in the Revolving Credit Facility Agreement), intellectual property, taxation, center of main interests and establishments and anti-money laundering/anti-terrorism laws.

Covenants

The Revolving Credit Facility Agreement contains customary operating covenants, requiring each borrower and each guarantor (and in certain cases, the subsidiaries of such borrowers or guarantors) to observe certain affirmative covenants, subject to certain agreed exceptions, relating to, amongst other things:

- maintenance of relevant authorizations;
- compliance with laws and regulations, including environmental laws and regulations;
- payment of taxes;
- ensuring that its obligations under the Finance Documents (as defined in the Revolving Credit Facility Agreement) rank at least *pari passu* with the claims of other creditors;
- maintenance of pension schemes;
- compliance with the Guarantor Coverage Test;
- maintenance of intellectual property rights;
- further assurance with respect to security interests granted;
- maintenance of insurances; and
- access to the premises, assets, books accounts and records of each Obligor in certain circumstances.

The Revolving Credit Facility Agreement also requires each borrower and each guarantor (and in certain cases, the subsidiaries of such borrowers or guarantors) to observe certain negative covenants, including covenants relating to:

- restrictions on making acquisitions if an event of default is continuing or the target entity is incorporated in a sanctioned country (in each case tested at the completion of the acquisition);
- restrictions on Notes repurchases (see further below);
- restrictions on using proceeds of the transaction to fund any activities of, or business with, any person, or in any Sanctioned Country (as defined in the Revolving Credit Facility Agreement) or in any other manner that could result in a violation by any person of applicable sanctions;
- changing the general nature of the business of the Group taken as a whole;
- changing the center of main interests; and
- (in the case of the Issuer only) restrictions on making certain amendments to its constitutional documents subject to certain exceptions.

The Revolving Credit Facility Agreement also requires the Issuer to comply with a financial covenant requiring that the ratio of the total outstanding amount of all drawings under the Revolving Credit Facility Agreement (excluding for this purpose all accrued interest, fees and commissions) to Reported EBITDA of the Issuer shall not exceed 1.1:1 (the "**Leverage Covenant**"). The Issuer can elect to cure a breach of the Leverage Covenant (on not more than three occasions), within a specified time frame, with the proceeds of new equity or subordinated debt instrument which must be used in prepayment of outstanding utilizations.

The Revolving Credit Facility Agreement provides that the financial covenant will be measured quarterly on a rolling aggregate basis for each twelve-month period ending on a quarter date. However, non-compliance with the financial covenant will only give rise to a default under the Revolving Credit Facility Agreement if any utilizations are outstanding at that time.

In addition, the Revolving Credit Facility Agreement includes a number of financial information undertakings.

The incurrence covenants in the Notes will apply equally to the Revolving Credit Facility Agreement.

Repayment

Each loan drawn under each of the Revolving Credit Facility and any Additional Facility must be repaid on the last day of its interest period. The amounts outstanding under the Revolving Credit Facility on the termination date (five years from the Issue Date in relation to the Revolving Credit Facility and in relation to the Additional Facility, as set out in the Additional Facility notice but no earlier than five years from the Issue Date) must be repaid on that date. Any Ancillary Facility is to be repaid at the time specified in the relevant notice. Amounts repaid by the borrowers in respect of the Revolving Credit Facility and the Additional Facility may be re-borrowed until one month prior to the termination date.

Prepayments

If there is a change of control or sale of all or substantially all the business and assets of the group, the Facilities will be cancelled, and all obligations under the Facilities will be repayable in full within five business days of the Issuer notifying the Agent of such event, as detailed in the Revolving Credit Facility Agreement. Mandatory prepayments of the Facilities will also be required upon illegality (as set out in the Revolving Credit Facility Agreement).

The borrowers may voluntarily prepay amounts outstanding under the Revolving Credit Facility Agreement, at any time, in whole or in part, on not less than three business days' notice to the Agent subject to an agreed minimum amount of €250,000. Voluntary prepayments will be applied against any such loans under the Revolving Credit Facility and any Additional Facilities as the Issuer may elect.

Any prepayments under the Revolving Credit Facility Agreement are made without penalty or premium, subject to accrued interest on the amount prepaid and any break costs.

The Issuer may voluntarily cancel the whole or any part of the total commitment under the Revolving Credit Facility Agreement, subject to agreed minimum amounts, on not less than three business days' notice to the Agent.

If, as a result of any Note repurchase, the aggregate principal amount of the Notes is reduced to less than 50 percent of the aggregate amount of the Notes as at the Issue Date, subject to certain exceptions (including if the Note repurchase is funded from new equity, from amounts available for dividends/distributions or from permitted financial indebtedness), undrawn commitments and/or outstanding loans under the Facilities will be mandatorily cancelled and/or prepaid (as the case may be) by a percentage reflecting the proportion which the aggregate principal amount of the Notes following such repurchase represents of the amount that equals 50 percent of the aggregate principal amount of the Notes as at the Issue Date. Notwithstanding the foregoing, in no circumstances are the commitments under the Facilities required to be reduced below €25 million and therefore such Note repurchase condition will not apply unless Additional Facilities have been established and maintained in an amount in excess of such threshold.

Events of default

The Revolving Credit Facility Agreement sets out certain events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and cancel their commitments and declare that any amounts outstanding under the Finance Documents are immediately due and payable. The events of default include, amongst other events and subject in certain cases to agreed grace periods, thresholds and other qualifications:

- non-payment of amounts due under the Finance Documents (as defined in the Revolving Credit Facility Agreement);
- breach of financial covenant (if tested) and breach of other covenants generally under the Finance Documents;
- inaccuracy of a representation or statement when made, deemed to be made or repeated;

- cross default;
- any expropriation, attachment, distress or execution affects any asset or assets of an obligor or material company;
- invalidity or unlawfulness of the Finance Documents;
- insolvency or insolvency proceedings;
- cessation of the business of the Restricted Group taken as a whole; and
- failure of any obligor or any subordinated shareholder creditor of an obligor to comply with a material term of the Intercreditor Agreement, which is not remedied.

Certain of such events also apply to the parent companies of the Issuer.

Governing law

The Revolving Credit Facility Agreement will be governed by English law although the incurrence covenants, which are included in the Revolving Credit Facility Agreement and largely replicate those contained in the Indenture, are construed in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility is governed by English law).

INTERCREDITOR AGREEMENT

In connection with the entry into the Revolving Credit Facility and the Indenture, the Issuer will enter into the Intercreditor Agreement to govern the relationships and relative priorities amongst:

(i) the lenders under the Revolving Credit Facility;

(ii) any persons that are party to or accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the "**Hedging Agreements**", and the liabilities under such Hedging Agreements the "**Hedging Liabilities**" and any such persons in such capacity the "**Hedge Counterparties**");

(iii) the Trustee, on its own behalf and on behalf of the holders of the Notes (the "**Noteholders**");

(iv) certain future creditors (as further explained below);

(v) the intragroup creditors and debtors; and

(vi) certain direct or indirect shareholders of the Issuer in respect of certain structural debt that the Issuer or another member of the Group has incurred or may incur in the future (including the Subordinated Shareholder Loan).

In this description,

- "**Group**" refers to the Issuer and each of its Restricted Subsidiaries; and
- each member of the Group that incurs any liability or provides any guarantee under the Revolving Credit Facility, in respect of the Notes or under any other Debt Document (as defined in "*—Further security and incremental borrowings*" below) is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**".

The Intercreditor Agreement will set forth (among other things):

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness by the relative creditors;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and

- when security and guarantees and principal debt claims will be released to permit a sale of any assets subject to transaction security (such assets, the "**Collateral**", such security, the "**Transaction Security**" and the documents constituting such Transaction Security, the "**Transaction Security Documents**").

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the members of the Group, which is permitted or not prohibited under the Credit Facility Documents (as defined below), the Indenture and any existing Pari Passu Debt Document (as defined below) to rank *pari passu* in right of payment with the liabilities under the Credit Facility Documents (as defined below), the liabilities under the Indenture and any existing Pari Passu Liabilities (as defined below) then existing or, to the extent not permitted under any Finance Document, with the consent of the relevant Creditor Representatives (as defined below) under each such document (acting on the instructions of the requisite level of creditors under such documents) and to be secured on the Collateral, subject to the terms of the Intercreditor Agreement (such indebtedness being the "**Pari Passu Debt**", the creditors in respect of such indebtedness being the "**Pari Passu Creditors**", the liabilities of the Debtors in respect of such indebtedness being the "**Pari Passu Liabilities**" and the documents creating or evidencing the Pari Passu Liabilities, the "**Pari Passu Debt Documents**"). Any Pari Passu Debt must be issued (or borrowed, as applicable) by the Issuer.

The Intercreditor Agreement will also include provisions relating to future indebtedness that may be incurred by the members of the Group which is permitted or not prohibited under the Credit Facility Documents (as defined below), the Indenture and any existing Pari Passu Debt Document and any existing Additional Unsecured Document (as defined below) then existing to rank behind the liabilities under such documents but equally with any existing Additional Unsecured Liabilities (as defined below), subject to the terms of the Intercreditor Agreement (such indebtedness being the "**Additional Unsecured Debt**", the creditors in respect of such indebtedness being the "**Additional Unsecured Creditors**", the liabilities of the Debtors in respect of such indebtedness being the "**Additional Unsecured Liabilities**" and the documents creating or evidencing the Additional Unsecured Liabilities, the "**Additional Unsecured Debt Documents**"). Any Additional Unsecured Debt must be issued (or borrowed, as applicable) by the Issuer.

The Intercreditor Agreement will also provide for any credit facility constituting a "**Credit Facility**" under (and as defined in) the Intercreditor Agreement, the creditors of which are entitled under the terms of the Indenture and any existing Pari Passu Debt Document to receive priority in respect of the proceeds of the enforcement against the Collateral (each such facility being a "**Credit Facility**" and, together with the Revolving Credit Facility, the "**Credit Facilities**" and each finance document relating thereto (but excluding any Hedging Agreement), a "**Credit Facility Document**"). Each lender under a Credit Facility is a "**Credit Facility Lender**" and excluding any Hedging Liabilities (as defined above), the liabilities of the Debtors to the Credit Facility Lenders are referred to as the "**Credit Facility Lender Liabilities**".

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Debt Documents (as defined below) and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

By purchasing a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Trustee to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety.

Ranking and priority

The Intercreditor Agreement will provide that (i) the Credit Facility Lender Liabilities and (ii) the liabilities of the Debtors with respect to Hedging Agreements entered into in relation to (A) hedging that is operational currency hedging in an aggregate amount of up to €10,000,000 and (B) interest rate or foreign currency hedging in respect of (1) a Credit Facility or the Notes or (2) in respect of Pari Passu Debt or Additional Unsecured Debt or any indebtedness ranking *pari passu* with any of them or any indebtedness referred to in (1) above, the incurrence of which is permitted under the Credit

Facility Documents, the Indenture and any Pari Passu Debt Documents (the "**Super Senior Hedging Liabilities**" and, together with the Credit Facility Lender Liabilities and liabilities owed to any Credit Facility representative, the "**Super Senior Liabilities**" and the creditors of the Super Senior Liabilities, the "**Super Senior Creditors**"), (iii) the liabilities of the Issuer and the Debtors in respect of the Notes (the "**Senior Secured Notes Liabilities**"), (iv) the Pari Passu Liabilities (together with the Senior Secured Notes Liabilities and any Hedging Liabilities that are not Super Senior Hedging Liabilities (such liabilities being the "**Non-Super Senior Hedging Liabilities**"), the "**Senior Secured Liabilities**", and the creditors of the Senior Secured Liabilities, the "**Senior Secured Creditors**"), (v) the Additional Unsecured Liabilities (and the creditors of the Additional Unsecured Liabilities, the "**Additional Unsecured Creditors**") and (vi) certain other unsecured liabilities, will rank in right and priority of payment in the following order:

- first, the Super Senior Liabilities and the Senior Secured Liabilities will rank *pari passu* and without any preference between them;
- second, the Additional Unsecured Liabilities will rank *pari passu* and without any preference between them;
- third, certain intercompany obligations (the "**Intra Group Liabilities**") of any member of the Group to any other member of the Group (each an "**Intra Group Lender**" and collectively the "**Intra Group Lenders**") will rank *pari passu* and without any preference between them; and
- fourth, liabilities in respect of investor debt owed by any Debtor to any shareholder, direct or indirect, of the Issuer (or any holding company or subsidiary of the Issuer or any other subsidiary of any such holding company that is not a member of the Group) and any of their respective transferees or successors, will rank *pari passu* and without any preference between them.

In this section any liabilities owed by any Debtor to any shareholder, direct or indirect, of the Issuer are referred to as "**Shareholder Liabilities**" and, together with the Intra Group Liabilities, the "**Subordinated Liabilities**".

The parties to the Intercreditor Agreement will agree in the Intercreditor Agreement that the Transaction Security provided for the Super Senior Liabilities and the Senior Secured Liabilities will rank and secure such liabilities *pari passu* and without any preference between them.

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided below under "*—Application of proceeds from enforcement of Transaction Security*".

Further security and incremental borrowings

The creditors in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the Super Senior Liabilities and the Senior Secured Liabilities, together, the "**Secured Liabilities**", and the creditors thereof, the "**Secured Parties**" and the documents evidencing the Secured Liabilities, the "**Secured Debt Documents**") may take, accept or receive the benefit of additional security and additional guarantees, indemnities or other assurance against loss from any member of the Group in respect of the Secured Liabilities, provided that, if and to the extent legally possible, such security, guarantee, indemnity or other assurance against loss is also granted to the Security Agent as agent and trustee of the other Secured Parties or is otherwise given for the benefit of the other Secured Parties. Any such additional security, guarantee, indemnity or other assurance against loss will rank in the same order of priority as referred to above and the proceeds of the enforcement of any such security will be applied as provided below under "*—Application of proceeds from enforcement of Transaction Security*".

The creditors in respect of the Additional Unsecured Liabilities (a) may not take the benefit of any security and (b) may only take, accept or receive the benefit of additional guarantees, indemnities or other assurance against loss from any member of the Group in respect of the Additional Unsecured Liabilities if such guarantee, indemnity or other assurance against loss is also granted to the Security Agent as agent and trustee of the Secured Parties and ranks in the same order of priority as referred to above.

The Intercreditor Agreement will contemplate the Debtors (or any of them): (i) incurring incremental borrowing liabilities and/or guarantee liabilities under, or (ii) refinancing the borrowing liabilities incurred under, the documents creating or evidencing indebtedness under or in respect of any Credit Facility, the Notes, the Additional Unsecured Debt, the Hedging Liabilities, the Pari Passu Debt or the Subordinated Liabilities (such documents or instruments, together with the Transaction Security Documents, being referred to collectively as the "**Debt Documents**") and/or incurring guarantee liabilities in respect of any indebtedness incurred in connection with any such refinancing (such incremental borrowing liabilities, refinancing liabilities and/or guarantee liabilities being referred to as "**Additional Indebtedness**") which in any such case are intended to rank *pari passu* with and/or share *pari passu* in any Transaction Security with any existing liabilities and/or to rank behind any existing liabilities and/or to share in the Transaction Security behind such existing liabilities. The Secured Parties, the Additional Unsecured Creditors and the creditors in respect of the Subordinated Liabilities (the "**Subordinated Creditors**", collectively with the Secured Parties and the Additional Unsecured Creditors, the "**Creditors**" and each a "**Creditor**") will confirm in the Intercreditor Agreement that, provided such financing or refinancing and such ranking and such security is permitted or not prohibited under the terms of the Debt Documents, they will (at the Debtors' cost) enter into such documentation as may be necessary (including entering into a new intercreditor agreement on substantially the same terms as the Intercreditor Agreement) to ensure that the Additional Indebtedness (and the liabilities and obligations of the Debtors in respect of such Additional Indebtedness) will have the ranking permitted to be conferred upon it in accordance with the terms of the Debt Documents, provided that such documentation does not in any significant respect adversely effect the interests of any of the Secured Parties and the Additional Unsecured Creditors.

Security: Pari Passu Creditors

The Pari Passu Creditors may take, accept or receive the benefit of:

(a) security in respect of the Pari Passu Liabilities in addition to the Transaction Security if, at the same time, it is also granted either:

   (i) to the Security Agent as agent or trustee for the other Secured Parties in respect of their secured obligations;

   (ii) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as agent or trustee for the Secured Parties:

      A. to the other Secured Parties in respect of their secured obligations; or

      B. to the Security Agent under a parallel debt structure for the benefit of the other Secured Parties; or

   (iii) in the case of any security granted after the date of the Intercreditor Agreement, to some of the Secured Parties provided that such security is incremental to the Transaction Security that has already been granted in favour of all other Secured Parties and any proceeds derived from the enforcement of such security will be shared with the Secured Parties in accordance with the payment waterfalls set out in "*—Application of proceeds from enforcement of Transaction Security*",

and ranks in the same order of priority as that contemplated in "*—Ranking and priority*" above; and

(b) any guarantee, indemnity or other assurance against loss in respect of the Pari Passu Liabilities in addition to those in:

   (i) the original form of the Pari Passu Debt Documents;

   (ii) the Intercreditor Agreement; or

   (iii) any guarantee, indemnity or other assurance against loss given for the benefit of all the Secured Parties in respect of their Secured Liabilities,

only if, in each case (1) the grant of such security or the giving of such guarantee, indemnity or other assurance against loss is permitted by the documents or instruments creating or evidencing the Senior Secured Notes Liabilities (together with the Transaction Security Documents, the "**Senior Secured**

Notes Documents") and the Credit Facility Documents and (2) at the same time, it is also granted to the Credit Facility Lenders and granted to the other Secured Parties in respect of their respective Secured Liabilities and ranks in the same order of priority as that contemplated in "*—Ranking and priority*" above.

Permitted payments

The Intercreditor Agreement will permit, prior to the occurrence of an acceleration event in respect of a Credit Facility, the Pari Passu Liabilities, the Senior Secured Notes Liabilities or the Additional Unsecured Liabilities (an "**Acceleration Event**"), payments to be made by the Debtors under the Credit Facility Documents, the Indenture, the Pari Passu Debt Documents or the Additional Unsecured Debt Documents, in each case in accordance with the terms of the relevant Credit Facility agreement, Indenture, Pari Passu Debt Document or Additional Unsecured Debt Document, but subject to: (i) in the case of payments in respect of the Senior Secured Notes Liabilities, any restrictions under the Credit Facilities and in the case of payments in respect of the Pari Passu Liabilities, any restrictions under the Credit Facilities or the Indenture; and (ii) in the case of payments in respect of the Additional Unsecured Liabilities, the conditions described under "*—Permitted Additional Unsecured Debt Payments*" below. Following the occurrence of an Acceleration Event, subject to certain exceptions, payments can only be made by the Debtors applying the amounts received by the relevant Debtor under the process described under "*—Application of proceeds from enforcement of Transaction Security*" below.

The Intercreditor Agreement will also permit payments to be made from time to time when due to lenders owed any Intra Group Liabilities ("**Intra Group Liabilities Payments**"), and the conversion of Intra Group Liabilities to equity, if at the time of payment no Acceleration Event has occurred and is continuing. The Intercreditor Agreement will permit Intra Group Liabilities Payments if (i) an Acceleration Event has occurred prior to the date on which the Super Senior Liabilities are discharged in full (the "**Super Senior Discharge Date**"), with the consent of the Senior Secured Instructing Group (as defined, and further described, in "*—Manner of enforcement*" below); (ii) an Acceleration Event has occurred after the Super Senior Discharge Date but prior to the date on which the Senior Secured Liabilities are discharged in full (the "**Senior Secured Discharge Date**"), with the consent of the Senior Secured Notes/Pari Passu Required Holders (as defined below) (acting through their Creditor Representatives); (iii) an Acceleration Event has occurred after the Senior Secured Discharge Date but prior to the date on which the Additional Unsecured Liabilities are discharged (the "**Additional Unsecured Debt Discharge Date**"), with the consent of the Additional Unsecured Debt Required Holders (as defined below) (acting through their Creditor Representatives); (iv) that payment is made to facilitate payment of the Super Senior Liabilities or Senior Secured Liabilities; or (v) that payment is made to facilitate payment of Additional Unsecured Liabilities that will, in each case, be permitted to be paid under the Intercreditor Agreement.

Payments may be made on Shareholder Liabilities from time to time when due if: (i) the payment is not prohibited by the Credit Facility Documents, the Indenture, the Pari Passu Debt Documents and/or the Additional Unsecured Debt Documents; (ii) prior to the Super Senior Discharge Date, the Senior Secured Instructing Group (as defined below) gives written consent to such payment being made; (iii) on or after the Super Senior Discharge Date but prior to the Senior Secured Discharge Date, the Senior Secured Notes/Pari Passu Required Holders (acting through their Creditor Representative (as defined below)) give written consent to such payment being made; or (iv) after the Senior Secured Discharge Date but prior to the Additional Unsecured Debt Discharge Date, the Additional Unsecured Debt Required Holders (acting through their Creditor Representative) give written consent to such payment being made. Prior to an Acceleration Event, the Shareholder Liabilities may be converted into equity.

The Intercreditor Agreement will also contain customary provisions with respect to payments that may be made with respect to Hedging Liabilities.

Creditor Representative

Under the Intercreditor Agreement or the relevant Debt Document, the parties will appoint various creditor representatives. "**Creditor Representative**" means:

(a) in relation to the Revolving Credit Facility, the facility agent under the Revolving Credit Facility Agreement;

(b) in relation to the Credit Facility Lenders under any other Credit Facility, the facility agent in respect of that credit facility (an "**Additional Credit Facility Agent**", and, together with the facility agent under the Revolving Credit Facility Agreement, a "**Credit Facility Agent**");

(c) in relation to the Noteholders, the Trustee;

(d) in relation to any Pari Passu Creditors, the creditor representative for those Pari Passu Creditors (the "**Pari Passu Debt Representative**");

(e) in relation to any Additional Unsecured Debt Creditors, the creditor representative for those Additional Unsecured Debt Creditors (the "**Additional Unsecured Debt Representative**"); and

(f) in relation to any Hedge Counterparty, such Hedge Counterparty (which shall be its own Creditor Representative).

Permitted Additional Unsecured Debt Payments

The Debtors may:

(a) prior to the later of the Super Senior Discharge Date and the Senior Secured Discharge Date, make payments to the Additional Unsecured Creditors in respect of the Additional Unsecured Liabilities then due in accordance with the Additional Unsecured Debt Documents:

(i) if:

A. the payment is of:

(i) any principal amount or capitalized interest (after such capitalization and accordingly representing principal amount) of the Additional Unsecured Liabilities, which is either (1) not prohibited from being paid by a Credit Facility Document, the Senior Secured Notes Documents and any Pari Passu Debt Document or (2) paid on or after the final maturity date of the Additional Unsecured Liabilities, provided that such maturity date is no earlier than the date following six months after the later of the termination date of the Revolving Credit Facility (in its original form) and the original scheduled maturity date of the Notes; or

(ii) any other amount which is not an amount of principal or capitalized interest;

B. no Additional Unsecured Debt Payment Stop Notice (as defined below) is outstanding; and

C. no payment event of default under a Credit Facility and no payment event of default in respect of principal, interest or fees exceeding €100,000 or more under the Senior Secured Notes Documents or under the Pari Passu Debt Documents (a "**Senior Payment Default**") has occurred and is continuing; or

(ii) if the holders of more than 66⅔% of the Super Senior Liabilities (the "**Majority Super Senior Creditors**"), the Trustee (acting on instructions of the Noteholders) and the Pari Passu Debt Representative give prior consent to that payment being made;

(iii) if the payment is by the Issuer or any Debtor of fees, costs and expenses of any trustee of the noteholders of any Additional Unsecured Debt issued in the form of notes (the "**Additional Unsecured Debt Trustee**") (including any amount payable to the Additional Unsecured Debt Trustee by way of indemnity, remuneration or reimbursement for expenses incurred) payable to the Additional Unsecured Debt Trustee for its own account pursuant to the Additional Unsecured Debt Documents or any engagement letter between the Additional Unsecured Debt Trustee and the Issuer, and the costs of any actual or attempted enforcement action which is permitted by the Intercreditor Agreement which are recoverable pursuant to the terms of the Additional Unsecured Debt Documents (the "**Additional Unsecured Debt Trustee Amounts**");

(iv) the payment is of administrative and maintenance costs, fees, expenses and taxes of the issuer of any Additional Unsecured Debt that is issued in the form of notes (acting in such capacity) including any reporting or listing requirements, as permitted under the terms of the Revolving Credit Facility Agreement; and

(v) the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Additional Unsecured Debt in compliance with the Intercreditor Agreement, the Credit Facility Documents, the Senior Secured Notes Documents and any Pari Passu Debt Documents; and

(b) on or after the later of the Super Senior Discharge Date and the Senior Secured Discharge Date, make payments to the Additional Unsecured Creditors in respect of the Additional Unsecured Debt in accordance with the Additional Unsecured Debt Documents.

Issue of Additional Unsecured Debt Payment Stop Notice

(a) Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date, except with the prior consent of the Credit Facility Agent, the Trustee and the Pari Passu Debt Representative(s), and subject to the provisions of the Intercreditor Agreement which will deal with the effects of an insolvency event, the Issuer shall ensure that no member of the Group shall make, and no Additional Unsecured Creditor may receive from any member of the Group, any payment in respect of Additional Unsecured Debt which would otherwise be permitted as referred to above (other than Additional Unsecured Debt Trustee Amounts) if:

(i) a Senior Payment Default has occurred and is continuing; or

(ii) an event of default under a Credit Facility Document, the Senior Secured Notes Documents or the Pari Passu Debt Documents (a "**Senior Event of Default**") (other than a Senior Payment Default) has occurred and is continuing, from the date on which the Credit Facility Agent or the Trustee or the Pari Passu Debt Representative (as the case may be) (the "**Relevant Representative**") delivers a notice (an "**Additional Unsecured Debt Payment Stop Notice**") specifying the event or circumstance in relation to that Senior Event of Default to the issuer, the Security Agent and the Additional Unsecured Debt Representative, until the earliest of:

A. the date falling 179 days after delivery of that Additional Unsecured Debt Payment Stop Notice;

B. the date on which an event of default occurs under the Additional Unsecured Debt Documents for failure to pay principal at the original scheduled maturity of the Additional Unsecured Debt;

C. in relation to payments of Additional Unsecured Debt, if an Additional Unsecured Debt Standstill Period (as defined below) is in effect at any time after delivery of that Additional Unsecured Debt Payment Stop Notice, the date on which that Additional Unsecured Debt Standstill Period expires;

D. the date on which the relevant Senior Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;

E. the date on which the Relevant Representative delivers a notice to the issuer, the Security Agent and any Additional Unsecured Debt Representative cancelling the Additional Unsecured Debt Payment Stop Notice;

F. the later of the Super Senior Discharge Date and the Senior Secured Discharge Date; and

G. the date on which any Additional Unsecured Debt Representative takes any enforcement action that it is permitted to take under the Intercreditor Agreement.

(b) Unless any Additional Unsecured Debt Representative waives this requirement:

(i) a new Additional Unsecured Debt Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Additional Unsecured Debt Payment Stop Notice; and

(ii) no Additional Unsecured Debt Payment Stop Notice may be delivered in reliance on a Senior Event of Default more than 60 days after the date the Credit Facility Agent, the Trustee or the Pari Passu Debt Representative (as applicable) received notice of that Senior Event of Default.

(c) The Credit Facility Agent, the Trustee and the Pari Passu Debt Representative(s) may serve only one Additional Unsecured Debt Payment Stop Notice with respect to the same event or set of circumstances.

(d) The Credit Facility Agent, the Trustee and the Pari Passu Debt Representative(s) may not serve an Additional Unsecured Debt Payment Stop Notice with respect to a Senior Event of Default which had been notified to each of them at the time at which an earlier Additional Unsecured Debt Payment Stop Notice was issued.

Cure of Payment Stop: Additional Unsecured Debt Noteholders

If at any time following the issuance of an Additional Unsecured Debt Payment Stop Notice or the occurrence of a Senior Payment Default:

(a) the Additional Unsecured Debt Payment Stop Notice ceases to be outstanding and/or the Senior Payment Default ceases to be continuing, as the case may be; and

(b) the relevant Debtor then promptly pays to the Additional Unsecured Creditors an amount equal to any payments which had accrued under the Additional Unsecured Debt Documents and which would have been permitted payments but for that Additional Unsecured Debt Payment Stop Notice or Senior Payment Default,

then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Additional Unsecured Debt Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Additional Unsecured Creditors.

Restrictions on enforcement/Certain challenges by Additional Unsecured Debt Creditors

Until the later of the Super Senior Discharge Date and the Senior Secured Discharge Date, except with the prior consent of or as required by the Senior Secured Instructing Group, no Additional Unsecured Creditor shall take or require the taking of any enforcement action in relation to the Additional Unsecured Debt or direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security except as permitted under the Intercreditor Agreement (see "*—Permitted additional Unsecured Debt enforcement*" below).

Permitted additional Unsecured Debt enforcement

(a) The above restrictions on enforcement will not apply if (1) an Additional Unsecured Debt Default (as defined below) has occurred resulting from failure to pay the principal amount of the Additional Unsecured Debt at final maturity or (2):

(i) an event of default under any Additional Unsecured Debt Document (an "**Additional Unsecured Debt Default**") is continuing;

(ii) the Credit Facility Agent, the Trustee and the Pari Passu Debt Representative(s) have received a notice of the Additional Unsecured Debt Default specifying the event or circumstance in relation to the Additional Unsecured Debt Default from the Additional Unsecured Debt Representative;

(iii) an Additional Unsecured Debt Standstill Period (as defined below) has elapsed; and

(iv) the Additional Unsecured Debt Default is continuing at the end of the relevant Additional Unsecured Debt Standstill Period.

(b) Promptly upon becoming aware of an Additional Unsecured Debt Default, the Additional Unsecured Debt Representative may by notice (an "**Additional Unsecured Debt Enforcement Notice**") in writing notify the Credit Facility Agent, the Trustee and the Pari Passu Debt Representative(s) of the existence of such Additional Unsecured Debt Default.

Additional Unsecured Debt standstill period

In relation to an Additional Unsecured Debt Default, an Additional Unsecured Debt Standstill Period shall mean the period beginning on the date (the "**Additional Unsecured Debt Standstill Start Date**") the Additional Unsecured Debt Representative serves an Additional Unsecured Debt Enforcement Notice on the Credit Facility Agent, the Trustee and the Pari Passu Debt Representative in respect of such Additional Unsecured Debt Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Additional Unsecured Debt Standstill Start Date (the "**Additional Unsecured Debt Standstill Period**");

(b) the date the Secured Parties take any enforcement action (a concept which excludes among other things any action taken to preserve or perfect any Collateral as opposed to realise it) in relation to a Guarantor, provided that the Additional Unsecured Debt Creditors may then only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other member of the Group;

(c) the date of an insolvency event in relation to a Guarantor against whom enforcement action is to be taken;

(d) the date on which an Additional Unsecured Debt Default occurs for failure to pay principal at the original scheduled maturity of the Additional Unsecured Debt; and

(e) the expiration of any other Additional Unsecured Debt Standstill Period outstanding at the date such first Additional Unsecured Debt Standstill Period commenced (unless that expiration occurs as a result of a cure, waiver or other permitted remedy).

The Additional Unsecured Debt Creditors may take enforcement action as described above in relation to an Additional Unsecured Debt Default even if, at the end of any relevant Additional Unsecured Debt Standstill Period or at any later time, a further Additional Unsecured Debt Standstill Period has begun as a result of any other Additional Unsecured Debt Default.

If the Security Agent has notified any Additional Unsecured Debt Representative that it is enforcing Transaction Security created over (directly or indirectly) shares of the Guarantor, no Additional Unsecured Debt Creditor may take any action referred to in "*—Permitted additional Unsecured Debt enforcement*", above against that Guarantor whilst the Security Agent is, in accordance with the instructions of the Senior Secured Instructing Group, taking steps to enforce that Collateral where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Entitlement to enforce Transaction Security

The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless otherwise instructed by the relevant Senior Secured Instructing Group (as further described in "*—Manner of enforcement*" below).

The Security Agent may disregard any instructions from any other person to enforce the Transaction Security and may disregard any instructions to enforce any Transaction Security if those instructions are inconsistent with the Intercreditor Agreement. The Security Agent is not obligated to enforce the Transaction Security if it is not indemnified by the relevant creditors.

Limitation on enforcement by Super Senior Creditors and Noteholders

If either the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders (acting through their Creditor Representatives) wish to instruct the Security Agent to commence enforcement of any Transaction Security, such group of creditors must deliver a copy of the proposed instructions as to enforcement (the "**Enforcement Proposal**") to the Security Agent and the Creditor Representatives for each of the Super Senior Creditors and the Senior Secured Creditors (as appropriate) and each other party to the Intercreditor Agreement at least ten business days prior to the proposed date of issuance of instructions under such enforcement proposal or such shorter time period as deemed necessary by such group of creditors in light of applicable circumstances (the "**Proposed Enforcement Instruction Date**").

Until the Super Senior Discharge Date, but subject to the following provisions described below, if the Security Agent has received conflicting enforcement instructions (which for the purposes of this paragraph only, includes a failure to give any instruction by the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders), then the Security Agent will promptly notify the relevant Creditor Representatives and such Creditor Representatives will consult with each other and the Security Agent for a period of not less than thirty days (or such shorter period as the relevant Creditor Representatives may agree) (the "**Initial Consultation Period**") from the earlier of (i) the date of the latest such conflicting enforcement instruction and (ii) the date falling ten business days after the date the original Enforcement Proposal is delivered, with a view to coordinating instructions as to enforcement of the Transaction Security.

The Creditor Representatives for each of the Super Senior Creditors and the Senior Secured Creditors shall not be obliged to consult with each other and the Security Agent as described above if:

(a) the Creditor Representatives are in agreement with each other with regard to any proposed enforcement action (in which case no Initial Consultation Period, or such shorter consultation period as determined by the Creditor Representatives, shall apply);

(b) the Transaction Security has become enforceable as a result of an insolvency event of a Material Subsidiary (as defined in the Revolving Credit Facility Agreement) or a third-party security provider;

(c) the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders determine in good faith that to do so and thereby delay commencement of enforcement could reasonably be expected to have a material adverse effect on (i) the Security Agent's ability to enforce any of the Transaction Security or (ii) the realization proceeds of any enforcement of the Transaction Security in any material respect;

(d) a period of not less than six months has elapsed since the Proposed Enforcement Instruction Date and no enforcement is being effected by the Security Agent; or

(e) the Creditor Representatives for the Super Senior Creditors, each Pari Passu Debt Representative and the Trustee agree that no consultation period is required.

If consultation has taken place for at least 30 days as described above (or (i) such shorter period as may have been agreed between the relevant Creditor Representatives or (ii) was not required to occur as described above) there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to enforcement then or previously received from the Senior Secured Instructing Group and the Senior Secured Instructing Group may issue instructions as to enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Senior Secured Notes/Pari Passu Required Holders (in each case, acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with certain Security Enforcement Principles (as referred to below), then unless there is no obligation to consult because the circumstances described in paragraphs (a) to (e) above apply, the Creditor Representatives for the relevant Super Senior Creditors or Senior Secured Creditors shall give notice to the Creditor Representatives for the other Super Senior Creditors and Senior Secured Creditors (as appropriate), after which the Creditor Representatives for the other Super Senior Creditors, the Trustee and each Pari Passu Debt Representative shall consult with the Security

Agent for a period of 15 days (or such lesser period as the relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement provided that such Creditors' Representatives shall not be obliged to consult in the manner referred to in this paragraph more than once in relation to each enforcement action. In addition, when consulting with the other Creditor Representatives and/or making any determination and/or giving any consent in connection with the enforcement of the Transaction Security, the Trustee shall act in accordance with the instructions or directions of the requisite Noteholders.

Limitation on enforcement of Shareholder Liabilities

Creditors in respect of the Shareholder Liabilities will not be permitted to take any enforcement action in respect of such liabilities prior to the last to occur of the Super Senior Discharge Date, the Senior Secured Discharge Date and the Additional Unsecured Debt Discharge Date (the "**Final Discharge Date**") save that, prior to the Final Discharge Date and after the occurrence of an insolvency event in relation to any Debtor or member of the Group or grantor of Transaction Security, each such Creditor may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Creditor in accordance with the terms of the Intercreditor Agreement), and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that member of the Group's Shareholder Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Shareholder Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Shareholder Liabilities of that member of the Group; or

(d) claim and prove in the liquidation of that member of the Group for the Shareholder Liabilities owing to it,

but shall not take any other enforcement action.

Limitation on enforcement of Intra Group Liabilities

Creditors in respect of the Intra Group Liabilities will not be permitted to take any enforcement action (other than rights of set-off to enable permitted payments) in respect of such liabilities prior to the Final Discharge Date except that, prior to the Final Discharge Date and after the occurrence of an insolvency event in relation to any member of the Group or grantor of Transaction Security, each Intra Group Lender may only (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra Group Lender in accordance with the Intercreditor Agreement) and shall, if so directed by the Security Agent, exercise any right it may otherwise have against that member of the Group to:

(a) accelerate any of that Group member's Intra Group Liabilities or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra Group Liabilities;

(c) exercise any right of set-off or take or receive any payment in respect of any Intra Group Liabilities of that member of the Group; or

(d) file claims, or claim and prove in the liquidation of that member of the Group for the Intra Group Liabilities owing to it,

but shall not take any other enforcement action.

Security enforcement principles

A Creditor Representative may only give enforcement instructions that are consistent with the following security enforcement principles (the "**Security Enforcement Principles**"):

(a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the security enforcement objective, such objective being to maximise the recovery by the Super Senior Creditors and the Senior Secured Creditors so far as such recovery is consistent with prompt and expeditious realisation of value from enforcement of the Transaction Security (the "**Security Enforcement Objective**");

(b) without prejudice to the Security Enforcement Objective, the Transaction Security will be enforced and other enforcement action will be taken such that either:

   (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the terms of the Intercreditor Agreement (as further described in "*—Application of proceeds from enforcement of Transaction Security*" below); or

   (ii) in the case of enforcement by the Senior Secured Notes/Pari Passu Required Holders sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the terms of the Intercreditor Agreement (see "*—Application of proceeds from enforcement of Transaction Security*" below), the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);

(c) to the extent that the Transaction Security that is the subject of the proposed enforcement action is:

   (i) securing assets other than shares in a member of the Group where the aggregate book value of such assets exceeds €1.0 million (or its equivalent); or

   (ii) over some or all of the shares in a member of the Group over which Transaction Security exists,

   then the Security Agent shall, if requested by the Senior Secured Instructing Group, and at the expense of the Issuer, (to the extent that financial advisers have not adopted a general policy of not providing such opinion) appoint an internationally recognised investment bank or any one of BDO, Deloitte & Touche, Ernst & Young, Grant Thornton, KPMG or PricewaterhouseCoopers or, if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest) as determined by the Security Agent (acting in good faith), another third-party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets (in each case not being the firm appointed as the relevant Debtor's administrator or other relevant officer holder) selected by the Security Agent (a "**Financial Adviser**") to opine that the consideration received from any disposal is fair from a financial point of view after taking into account all relevant circumstances (a "**Financial Adviser's Opinion**");

(d) the Security Agent shall be under no obligation to appoint a Financial Adviser or to seek the advice of a Financial Adviser, unless expressly required to do so by the Intercreditor Agreement. Prior to making any appointment of a Financial Adviser, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;

(e) the Financial Adviser's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Collateral that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met; and

(f) in the event that an enforcement of the Transaction Security is conducted by way of public auction or other competitive sale process of assets (the terms of which are set out in the Intercreditor Agreement), no Financial Adviser shall be required to be appointed, and no Financial Adviser's Opinion shall be required, in relation to such enforcement.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Pari Passu Debt Required Holders of each tranche of Pari Passu Debt and the Security Agent; provided that no additional obligations may be imposed on the Group without the consent of the Issuer.

Manner of enforcement

The Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Senior Secured Instructing Group (as defined below) shall instruct or, in the absence of any such instructions, as the Security Agent considers in its discretion to be appropriate, in each case, taking into account the requirements of each relevant Transaction Security Document and provided that any such instructions are consistent with the Security Enforcement Principles.

The instructing group entitled to give instructions to the Security Agent in respect of enforcement of Transaction Security (the "**Senior Secured Instructing Group**") will be made up of the Majority Super Senior Creditors and the Senior Secured Notes/Pari Passu Required Holders (in each case acting through their respective Creditor Representative). However, if the Security Agent has received conflicting enforcement instructions from the Creditor Representatives then, provided that the instructions from the Senior Secured Notes/Pari Passu Required Holders (to the extent given) comply with the initial consultation requirements described above and the Security Enforcement Principles, the Security Agent will comply with the instructions from the Senior Secured Notes/Pari Passu Required Holders, provided that if the Super Senior Liabilities have not been fully discharged within six months, or no steps have been taken in relation to the commencement of enforcement of the Transaction Security within three months, in each case, of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail provided that such instructions are consistent with the Security Enforcement Principles.

Exercise of voting rights

Each Creditor (other than the Credit Facility Lenders, the Credit Facility Agent, the Trustee, the Pari Passu Debt Representative and the Additional Unsecured Debt Representative) will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any member of the Group as instructed by the Security Agent and the Security Agent shall give instructions for these purposes as directed by the Senior Secured Instructing Group, provided that such instructions have been given in accordance with the terms of the Intercreditor Agreement.

Turnover

Turnover by Primary Creditors

The Intercreditor Agreement will provide that if any creditor in respect of the Super Senior Liabilities or the Senior Secured Liabilities (the "**Primary Creditors**") receives or recovers or otherwise realises the proceeds of any enforcement of any Transaction Security or any other amounts which should otherwise be received, recovered or realized by the Security Agent for application under the payment waterfall (whether before or after an insolvency event) other than in accordance with the payment waterfall described in "*—Application of proceeds from enforcement of Transaction Security*" below, that Primary Creditor will, subject to certain exceptions:

(a) in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Turnover by Additional Unsecured Debt Creditors and Subordinated Creditors

The Intercreditor Agreement will provide that if any Additional Unsecured Debt Creditor or any creditor of any Subordinated Liabilities receives or recovers:

(a) any payment or distribution of, or on account of, or in relation to any such liabilities which is not otherwise permitted under the Intercreditor Agreement or made in accordance with the payment waterfall described in "—*Application of proceeds from enforcement of Transaction Security*" below;

(b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any such liabilities which is not otherwise permitted under the Intercreditor Agreement or which does not give effect to a payment or enforcement action which is otherwise permitted to be made, received or taken by the relevant creditor under the Intercreditor Agreement;

(c) other than by way of set-off permitted under the Intercreditor Agreement, any amount on account of, or in relation to, any of such liabilities after the occurrence of a Distress Event (as defined below) or as a result of any other litigation or proceedings against a Debtor or a member of the Group (other than after the occurrence of an insolvency event in respect of that Debtor or that member of the Group), other than, in each case, any amount received or recovered in accordance with the payment waterfall described in "—*Application of proceeds from enforcement of Transaction Security*" below;

(d) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of such liabilities after the occurrence of a Distress Event; or

(e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution in cash or in kind or payment of, or on account of or in relation to, any of such liabilities which is not made in accordance with the payment waterfall described in "—*Application of proceeds from enforcement of Transaction Security*" below and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Debtor,

the relevant Additional Unsecured Debt Creditor or Subordinated Creditor (as applicable) will, subject to certain exceptions:

(i) in relation to receipts or recoveries not received or recovered by way of set-off, (A) hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (B) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of proceeds from enforcement of Transaction Security

The Intercreditor Agreement will provide that amounts received from the realization or enforcement of all or any part of the Transaction Security or otherwise passed to the Security Agent for application in accordance with those provisions will be applied in the following order of priority (regardless of whether any underlying payment obligation has been released in connection with such enforcement as contemplated in "—*Release of the guarantees and the security*" below):

(a) first, in payment of the following amounts in the following order: (i) *pari passu* and pro rata to any sums owing to the Security Agent or any delegate appointed by the Security Agent or any receiver or any delegate, any Pari Passu Debt Representative in respect of Pari Passu Debt issued in the form of notes and any Trustee Amounts payable to the Trustee; and then (ii) *pari passu* and pro rata to each Creditor Representative (to the extent not included in (i) above and excluding any Hedge Counterparty as its own Creditor Representative) of the unpaid fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative under any Transaction Security Document or the Intercreditor Agreement (to the extent that such Transaction Security has been given in favour of such obligations);

(b) second, *pari passu* and pro rata in or toward payment of all costs and expenses incurred by the holders of Super Senior Liabilities in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

(c) third, *pari passu* and pro rata in or toward payment to: (i) the Revolving Credit Facility Agent on its own behalf and on behalf of the Revolving Credit Facility finance parties and on behalf of the arrangers under the Revolving Credit Facility (or following the repayment of the Revolving Credit Facility, each Creditor Representative in respect of a Credit Facility on its own behalf and on behalf of the arrangers and lenders under and in respect of that Credit Facility); and (ii) the Hedge Counterparties in respect of the Super Senior Hedging Liabilities, for application towards the discharge of (A) the liabilities owed to the Revolving Credit Facility Agent and the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under the Revolving Credit Facility (or following the discharge of the Revolving Credit Facility, the liabilities owed to the Creditor Representatives in respect of each Credit Facility, the Credit Facility Lender Liabilities and related liabilities owed to the arrangers under such Credit Facility) in accordance with the terms of the Credit Facility Documents and (B) the Super Senior Hedging Liabilities on a *pari passu* and pro rata basis as between (A) and (B);

(d) fourth, *pari passu* and pro rata to the Trustee on behalf of the Noteholders and the representative of the Pari Passu Creditors on behalf of the Pari Passu Creditors and each Hedge Counterparty in respect of Non-Super Senior Hedging Liabilities for application towards any unpaid costs and expenses incurred by or on behalf of any Noteholders and Pari Passu Creditors and such Hedge Counterparties in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Transaction Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

(e) fifth, *pari passu* and pro rata to the Trustee on behalf of the Noteholders for application towards the discharge of the Senior Secured Notes Liabilities and to the relevant Pari Passu Debt Representative on behalf of the Pari Passu Creditors for application towards the discharge of the Pari Passu Liabilities and to the relevant Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedging Liabilities; and

(f) sixth, after the Final Discharge Date, in payment of the surplus (if any) to the relevant Debtor or other person entitled to it.

No Super Senior Hedge Counterparty will receive more than the maximum amount (which may be stated to be "unlimited" if the Hedging Agreement in question is in respect of floating interest rate exposure or non-Euro currency exposures in respect of (i) a Credit Facility or the Notes or (ii) Pari Passu Debt or Additional Unsecured Debt or any indebtedness ranking pari passu with any of them or any indebtedness referred to in (i) above which is permitted by the Secured Debt Documents) of Hedging Liabilities allocated to that Super Senior Hedge Counterparty for application towards its Super Senior Liabilities, as notified to the Security Agent by the Issuer and the Super Senior Hedge Counterparty prior to entering into any relevant Hedging Agreement.

Release of the guarantees and the security

Non-Distressed Disposal

In circumstances where a disposal of an asset of the Group or an Equity Investor, which is subject to the Transaction Security is not being effected (a) by enforcement of the Transaction Security; (b) at the request of the Senior Secured Instructing Group, after the Transaction Security has become enforceable;

or (c) in the case of a disposal to a person or persons outside the Group, after an Acceleration Event or an enforcement of the Transaction Security (a "**Distress Event**") has occurred and is otherwise permitted by the Secured Debt Documents such disposal (a "**Non-Distressed Disposal**"), the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security or any other claim relating to a Debt Document over the relevant asset; and (ii) if the relevant asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim relating to a Debt Document over the assets of that Debtor and the shares in and assets of any of its subsidiaries, provided that if an asset which is the subject of a Non-Distressed Disposal is transferred to another member of the Group the release of the Transaction Security must be permitted under the terms of the Secured Debt Documents and, to the extent that replacement Transaction Security is required from the transferee under the terms of the Debt Documents, such Transaction Security will (subject to any other requirements relating to the release, retaking, amendment or extension of the Transaction Security under the Debt Documents) be granted at the same time as (or before) the relevant disposals are effected.

If any proceeds from a Non-Distressed Disposal are required to be applied in mandatory prepayment of any of the Secured Liabilities or to be offered to any Secured Party pursuant to the terms of the Secured Debt Documents, then such proceeds will be applied in or towards payment of such Secured Liabilities or shall be offered to the relevant Secured Parties in accordance with the terms of the relevant Secured Debt Documents and the consent of any other party will not be required for that application.

Distressed Disposal

Where a disposal of an asset of the Group or an Equity Investor which is subject to the Transaction Security is being effected once a Distress Event has occurred (a "**Distressed Disposal**"), the Intercreditor Agreement will provide that the Security Agent is authorized: (a) if the asset being disposed of consists of shares in the capital of a Debtor, to release: (i) the Transaction Security over the assets of that Debtor or any subsidiary of that Debtor; (ii) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities in respect of the Debt Documents, its liabilities as guarantor in respect of the Secured Debt Documents and any trading or other liabilities it may have to an Intra Group Lender or another Debtor (the "**Other Liabilities**"); and (iii) any other claim of an Intra Group Lender or another Debtor over the relevant assets; and (b) if the asset being disposed of consists of shares in the capital of a holding company of a Debtor, to release: (i) the Transaction Security over the assets of that holding company and any subsidiary of that holding company; (ii) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities in respect of the Debt Documents, its liabilities as guarantor in respect of the Debt Documents and any Other Liabilities; and (iii) any other claim of an Intra Group Lender or another Debtor over the relevant assets.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized:

(a) if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent (acting in accordance with the terms of the Intercreditor Agreement) decides to dispose of all or any part of the liabilities of that Debtor or holding company or any subsidiary of that Debtor or holding company under the Debt Documents or any liabilities owed by such Debtor, holding company or subsidiary to another Debtor (the "**Debtor Liabilities**"):

   (i) if the Security Agent does not intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor or all (but not part) of such Debtor Liabilities; or

   (ii) if the Security Agent does intend that the relevant transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to enter into any agreement to dispose of all (but not part) of such liabilities owed to a Primary Creditor and all or any part of such Debtor Liabilities and any other liabilities under the Debt Documents, on behalf of the relevant creditors and Debtors.

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will also provide that the Security Agent is authorized, if the asset being disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor all or any part of that Disposed Entity's obligations (or any obligations of any subsidiary of that Disposed Entity) in respect of Intra Group Liabilities or Debtor Liabilities, to enter into any agreement to agree the transfer and acceptance of all or part of the obligations in respect of those Intra Group Liabilities or Debtor Liabilities on behalf of the Debtors which owe such liabilities and the Debtors to which such liabilities are to be transferred.

In the case of a Distressed Disposal as disposal of Liabilities described above, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (though the Security Agent shall not have an obligation to postpone any Distressed Disposal in order to achieve a higher price).

If before the Additional Unsecured Debt Discharge Date, a Distressed Disposal is being effected such that the Additional Unsecured Debt will be released, it is a further condition to the release that either:

(a) the Additional Unsecured Debt Representative has approved the release on the instructions of the Additional Unsecured Debt Required Holders; or

(b) where shares or assets of the Issuer or a guarantor of the Additional Unsecured Debt are sold:

  (i) the proceeds of such sale or disposal are in cash (or substantially in cash) or, if the proceeds of such sale are not in cash (or substantially in cash), the requirements listed in paragraph (iii)(B) below are satisfied;

  (ii) all present and future obligations owed to the Secured Parties under the Credit Facility Documents, Hedging Agreements, the Senior Secured Notes Documents and the Pari Passu Debt Documents by a member of the Group, all of whose shares are pledged in favour of the Secured Parties are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

    A. the Credit Facility Agent, Trustee and Pari Passu Debt Representative determine acting reasonably and in good faith that the finance parties under the Credit Facility Documents, the Senior Secured Note Creditors and the Pari Passu Creditors (respectively) will recover more than if such claim was released or discharged; and

    B. the Credit Facility Agent, Trustee and Pari Passu Debt Representative serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

  (iii) such sale or disposal (including any sale or disposal of any claim) is made:

    A. pursuant to a public auction or other competitive sale process of assets (the terms of which are set out in the Intercreditor Agreement); or

    B. where a Financial Adviser confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities owed to a Primary Creditor or disposal of Debtor Liabilities) shall be paid to the Security Agent for application in accordance with the payment waterfall described in "—*Application of Proceeds from Enforcement of Transaction Security*" above, as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities owed to a Primary

Creditor or disposal of Debtor Liabilities has occurred, as if that disposal of liabilities or Debtor Liabilities had not occurred.

In this section:

"**Additional Unsecured Debt Required Holders**" means, in respect of any direction, approval, consent or waiver to be granted by a tranche of the Additional Unsecured Debt, the Additional Unsecured Creditors of the principal amount of the relevant tranche of Additional Unsecured Debt required to vote in favour of such direction, consent or waiver under the terms of the relevant Additional Unsecured Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding relevant tranche of Additional Unsecured Debt, in accordance with the relevant Additional Unsecured Debt Documents. For the avoidance of doubt, in determining whether the Additional Unsecured Debt Creditors of the required principal amount of relevant tranche of Additional Unsecured Debt have concurred in any direction, waiver or consent, relevant Additional Unsecured Debt owned by any Debtor, or any any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor, will be considered as through not outstanding.

"**Senior Secured Notes/Pari Passu Required Holders**" means, at any time, those Senior Secured Notes Required Holders and Pari Passu Required Holders and Hedge Counterparties in respect of Non-Super Senior Hedging Liabilities whose Senior Secured Credit Participations (as defined below) at that time aggregate more than 50% of the total Senior Secured Credit Participations at that time;

"**Senior Secured Notes Required Holders**" means in respect of any direction, approval, consent or waiver, the Noteholders of the principal amount of Notes required to vote in favor of such direction, approval, consent or waiver under the terms of the Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Notes, in accordance with the Indenture. For the avoidance of doubt, in determining whether the Noteholders of the required principal amount of Notes have concurred in any direction, approval, consent or waiver, Notes owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor, will be considered as though not outstanding, except that for the purpose of determining whether the Trustee will be protected in relying on any such direction, approval, waiver or consent, only Notes that the Trustee knows are so owned will be disregarded; and

"**Pari Passu Debt Required Holders**" means in respect of any direction, approval, consent or waiver to be granted by a tranche of the Pari Passu Debt, the Pari Passu Creditors of the principal amount of the relevant tranche of Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant Pari Passu Debt Documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding relevant tranche of Pari Passu Debt, in accordance with the relevant Pari Passu Debt Documents. For the avoidance of doubt, in determining whether the Pari Passu Creditors of the required principal amount of relevant tranche of Pari Passu Debt have concurred in any direction, waiver or consent, relevant Pari Passu Debt owned by any Debtor, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any Debtor, will be considered as though not outstanding.

Amendment

In addition to customary minor, technical or administrative matter amendments by the Security Agent, the Intercreditor Agreement will provide that it may be amended with only the consent of the Majority Super Senior Creditors, the Senior Secured Notes Required Holders, the Pari Passu Debt Required Holders, the Additional Unsecured Debt Required Holders, the Issuer and the Security Agent, unless it is an amendment, waiver or consent that has the effect of changing or which relates to: (a) any amendment to the order of priority or subordination set out in the Intercreditor Agreement; (b) any amendment to the payment waterfall, turnover provisions or enforcement provisions (including those described above under "*—Release of the guarantees and the security*") set out in the Intercreditor Agreement; (c) certain provisions relating to the giving of instructions to the Security Agent or the exercise of discretion by the Security Agent; or (d) the amendment of provisions in the Intercreditor Agreement, which shall not be made without consent of:

(i) the Credit Facility Lenders;

(ii) the Trustee (acting in accordance with the terms of the Indenture);

(iii) in the case of any Pari Passu Debt constituting an issuance of debt securities, the Pari Passu Debt Representative (acting in accordance with the terms of the relevant Pari Passu Debt Documents);

(iv) in the case of any Pari Passu Debt constituting a credit facility, the Pari Passu Creditors in that tranche of Pari Passu Debt;

(v) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty);

(vi) the Issuer;

(vii) the Security Agent;

(viii) in the case of any Additional Unsecured Debt constituting an issuance of debt securities, the Additional Unsecured Debt Representative (acting in accordance with the terms of the relevant Additional Unsecured Debt Documents); and

(ix) in the case of any Additional Unsecured Debt constituting a credit facility, the Additional Unsecured Creditors in that tranche of Additional Unsecured Debt.

If, however, an amendment, waiver or consent affects only one class of Secured Party and could not reasonably be expected to materially and adversely affect the interests of the other classes of Secured Party, only agreement from the requisite affected class is required.

Subject to the paragraphs above and certain other exceptions, no amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without the prior written consent of the affected party.

Option to purchase: Senior Secured Notes Creditors and Pari Passu Creditors

After a Distress Event, by giving not less than ten days' prior written notice to the Credit Facility Agent (and, if applicable, the Hedge Counterparties), the Senior Secured Notes Creditors and the Pari Passu Creditor Representative, at the direction and expense of and having obtained all necessary approvals from the Noteholders and Pari Passu Creditors (as applicable) (the "**Purchasing Senior Secured Creditors**"), will have the right to acquire or procure that a nominee acquires by way of transfer all (but not part only) of the rights and obligations of the Credit Facility Lenders and the Hedge Counterparties in respect of Super Senior Liabilities (the "**Super Senior Acquisition Debt**"). If more than one Purchasing Senior Secured Creditor wishes to exercise the option to purchase the Super Senior Acquisition Debt, each such Purchasing Senior Secured Creditor shall acquire the Super Senior Acquisition Debt pro rata, in the proportion that its principal amount outstanding under the Notes and, its principal amount outstanding under the Pari Passu Debt Documents (the "**Senior Secured Credit Participations**") bears to the aggregate Senior Secured Credit Participations of all the Purchasing Senior Secured Creditors.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Super Senior Liabilities then outstanding (as determined in accordance with the Intercreditor Agreement), including in respect of any broken funding costs, as well as certain costs and expenses of the Super Senior Creditors and any Super Senior Hedge Counterparty; after the transfer, no Super Senior Creditor or Super Senior Hedge Counterparty (to the extent of its Super Senior Hedging Liabilities) will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document or any Hedging Agreement for which it is not holding cash collateral in an amount and on terms satisfactory to it; the Purchasing Senior Secured Creditors, (or if required by the Credit Facility Lenders and Super Senior Hedge Counterparties, a third party acceptable to all Credit Facility Lenders and Super Senior Hedge Counterparties) indemnify each Credit Facility Lender and each other party under such Credit Facility Document and Hedge Counterparty for any actual or alleged obligation to repay or claw back any amount received by such Credit Facility Lender, other finance party or Super Senior Hedge Counterparty; and the relevant transfer shall be without recourse to, or warranty from, any Credit

Facility Lender or other finance party under such Credit Facility Document or Super Senior Hedge Counterparty, save that each Credit Facility Lender and Super Senior Hedge Counterparty will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third-party interests (other than any arising under the relevant finance documents or by operation of law), of all rights and interests under the Revolving Credit Facility finance documents or the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Super Senior Hedge Counterparty, it is the sole owner, free from all Security and third-party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;

(c) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer;

(d) the Credit Facility Lenders and Hedge Counterparties are satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they are required by law to carry out in relation to such a transfer; and

(e) the Additional Unsecured Creditors have not exercised the purchase rights described in "*—Option to Purchase: Additional Unsecured Debt Creditors*" below or, having exercised such rights, have not failed to complete the acquisition of the Credit Facility Lender Liabilities, the Hedging Liabilities under the Hedging Agreements, the Senior Secured Notes Liabilities and the Pari Passu Liabilities.

Option to purchase: Additional Unsecured Debt Creditors

The Additional Unsecured Debt Creditors (the "**Purchasing Additional Unsecured Debt Creditors**") may, after a Distress Event, by giving not less than ten days' notice to the Credit Facility Agent, the Hedge Counterparties, the Trustee and the Pari Passu Debt Representative require the transfer to them (or to a nominee or nominees) of all (but not part only) of the rights, benefits and obligations in respect of the Super Senior Liabilities and the Senior Secured Liabilities (the "**Unsecured Debt Senior Secured Acquisition Debt**"). If more than one Purchasing Additional Unsecured Debt Creditor wishes to exercise the option to purchase the Senior Secured Acquisition Debt, each such Purchasing Additional Unsecured Debt Creditor shall acquire the Senior Secured Acquisition Debt pro rata, in the proportion that its principal amount outstanding under the Additional Unsecured Debt Documents (the "**Additional Unsecured Debt Credit Participations**") bears to the aggregate Additional Unsecured Debt Credit Participations of all the Purchasing Additional Unsecured Debt Creditors.

Any such purchase will be on terms which will include, without limitation, payment in full in cash of an amount equal to the Secured Liabilities then outstanding, including in respect of any broken funding costs, as well as certain costs and expenses of the creditors in respect of the relevant Secured Liabilities; after the transfer, no Credit Facility Lender, Hedge Counterparty, Senior Secured Notes Creditor or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the Intercreditor Agreement, any Credit Facility Document, any Hedging Agreement, any Senior Secured Notes Finance Document or any Pari Passu Debt Document for which it is not holding cash collateral in an amount and on terms satisfactory to it; the Purchasing Additional Unsecured Debt Creditors (or if required by the Credit Facility Lenders, Hedge Counterparties, Noteholders or Pari Passu Creditors, a third party acceptable to the Credit Facility Lenders, Hedge Counterparties, Senior Secured Notes Creditors or Pari Passu Creditors), shall provide on the date of the transfer an indemnity to each Credit Facility Lender and each other finance party under such Credit Facility Document, Hedge Counterparty, Senior Secured Notes Creditor or Pari Passu Creditor (each an "**Unsecured Indemnified Party**") for any actual or alleged obligation to repay or claw back any amount received by such Unsecured Indemnified Party; and the relevant transfer shall be without recourse to, or warranty from, any Credit Facility Lender, Hedge Company, any Senior Secured Notes Creditor and any Pari Passu Creditors, save that each such entity will be deemed to have given the following representations and warranties on the date of the transfer:

(a) in the case of a Credit Facility Lender, it is the sole owner, free from all Security and third-party interests (other than any arising under the Credit Facility Documents or by operation of law), of all rights and interests under the Credit Facility Documents purporting to be transferred by it by that transfer;

(b) in the case of a Hedge Counterparty, it is the sole owner, free from all Security and third-party interests (other than any arising under the Hedging Agreements or by operation of law) of all rights and interests under the Hedging Agreements purporting to be transferred by it by that transfer;

(c) in the case of each Senior Secured Notes Creditor, that Senior Secured Notes Creditor (on behalf of itself only) is the sole owner, free from all Security and third-party interests (other than any arising under the Senior Secured Notes Documents or by operation of law), of all rights and interests under the Senior Secured Notes Documents purporting to be transferred by it by that transfer;

(d) in the case of a Pari Passu Creditor, it is the sole owner, free from all Security and third-party interests (other than any arising under the relevant Pari Passu Debt Documents or by operation of law), of all rights and interests under the relevant Pari Passu Debt Documents purporting to be transferred by it by that transfer;

(e) it has the power to enter into and make, and has taken all necessary action to authorize its entry into and making of, that transfer; and

(f) it is satisfied with the results of any "know your client" or other similar checks relating to the identity of any person that they or any Representative are required by law to carry out in relation to such a transfer.

Other provisions

The Intercreditor Agreement will also contain provisions customary for documents of this nature dealing with, among other things:

(a) close-out and enforcement rights for the Hedge Counterparties, and the terms on which the hedging agreements must be entered into (and may be amended in the future) and on which payments may be made under such hedging agreements;

(b) restrictions on amendments to the terms of any Shareholder Liabilities documents;

(c) information sharing between creditor groups; and

(d) customary protections for the Trustee and the Security Agent.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

SUBORDINATED SHAREHOLDER LOAN

As of March 31, 2014, and pro-forma for the Transactions and the application of the proceeds therefrom, the Subordinated Shareholder Loan had an outstanding balance of €66.4 million (interest on the Subordinated Shareholder Loan will capitalize prior to and following the Issue Date, increasing the outstanding balance). The Subordinated Shareholder Loan is unsecured. Interest on the loan accrues at a rate of 7.0% per annum, payable only upon maturity of the Subordinated Shareholder Loan, which will occur approximately one year after the maturity of the Notes offered hereby. The Subordinated Shareholder Loan is governed by Italian law and subject to the terms and conditions of the Intercreditor Agreement.

BANK LOANS AND OVERDRAFT FACILITIES

The Issuer has certain unsecured, uncommitted lines of credit in place for general corporate purposes and to finance working capital needs. These lines are offered on a bilateral basis between the Issuer and the local banks providing such facilities. Such lines include overdraft facilities whose availability of advances is based on evidence of trade receivables owing to the group as well as letters of credit and reverse factoring arrangements to provide guarantees and anticipation of payment to suppliers. As of March 31, 2014, and giving pro-forma effect to the Transactions, the Issuer would have had €5.2 million of indebtedness in addition to the Notes. Management intends to continue utilizing these arrangements for working capital management going forward. See "*Management's Discussion and Analysis of Our Financial Condition and Results of Operations—Liquidity and Capital Resources*".

Description of the notes

TWIN SET-Simona Barbieri S.p.A., a joint stock company established under the laws of the Republic of Italy (the "*Company*"), will issue €150.0 million in aggregate principal amount of floating rate notes (the "*Notes*") under an indenture (the "*Indenture*") among, *inter alios*, the Company, The Law Debenture Trust Corporation p.l.c., as trustee and legal representative (*mandatario con rappresentanza*) of the holders of the Notes and common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code (the "*Trustee*"), and UniCredit Bank AG, Milan Branch, as security agent (the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "*U.S. Securities Act*"). Unless the context requires otherwise, references in this "Description of the Notes" to the Notes include any Additional Notes (as defined below) that are issued under the Indenture. The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the offering of the Notes sold on the Issue Date (the "*Offering*") will be used by the Company to repay outstanding amounts under certain existing credit facilities, to partially repay the Subordinated Shareholder Loan, to pay a distribution to our shareholders and for general corporate purposes (and to pay fees and expenses of the Offering of the Notes) as set forth in this Offering Memorandum under the caption "*Use of proceeds*".

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Intercreditor Agreement and the Security Documents. This does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Intercreditor Agreement and the Security Documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Note, the Intercreditor Agreement and the Security Documents will be available as set forth under "*Where you can find additional information*".

Certain defined terms used in this description but not defined below under "*—Certain definitions*" have the meanings assigned to them in the Indenture. You can find the definitions of certain terms used in this description under the subheading "*—Certain definitions*". In this description, the term "Company" refers to TWIN SET-Simona Barbieri S.p.A. and its successors, and not to any of its Subsidiaries.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief description of the Notes

The Notes

The Notes:

- will be general, senior obligations of the Company;
- will be secured by first-priority Liens over the Collateral, but will receive proceeds from enforcement of security over the Collateral only after any creditors that are entitled to receive such proceeds on a super priority basis, including lenders under the Revolving Credit Facility and counterparties to certain Hedging Obligations, have been paid in full;
- will be *pari passu* in right of payment with all existing and future Indebtedness of the Company that is not subordinated in right of payment to the Notes;
- will be senior in right of payment to any and all of the existing and future Indebtedness of the Company that is subordinated in right of payment to the Notes, including the Subordinated Shareholder Loan.
- will be structurally subordinated to all existing and future indebtedness of any of the Issuer's subsidiaries that do not guarantee the Notes; and
- will be effectively senior to the Issuer's existing and future unsecured indebtedness to the extent of the value of the Collateral securing the Notes.

As of the Issue Date, all of the Company's Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under the caption "*—Certain covenants—Designation of restricted and unrestricted subsidiaries*", the Company will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not guarantee the Notes.

On the Issue Date, none of the Company's Subsidiaries will Guarantee the Notes. Subsidiaries of the Company may become Guarantors of the Notes pursuant to the Indenture, and may be required to provide a Guarantee of the Notes ("*Notes Guarantee*") under certain circumstances, see "*—Certain covenants—Additional guarantees.*"

Principal, maturity and interest

The Company will issue €150.0 million in aggregate principal amount of Notes in this Offering. The Company may issue additional Notes (the "*Additional Notes*") under the Indenture from time to time after this Offering; *provided* that Additional Notes will only be issued if fungible for U.S. federal income tax purposes or issued with separate Common Code and ISIN numbers, as applicable, from the Notes. Any issuance of Additional Notes will be subject to all of the covenants in the Indenture, including the covenant described below under the caption "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*". The Company will issue Notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature at par on July 15, 2019.

Interest on the Notes will accrue at a rate per annum (the "Applicable Rate"), reset quarterly, equal to EURIBOR plus 5.875%, as determined by the calculation agent (the "Calculation Agent"), which shall initially be The Bank of New York Mellon, London Branch. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on each January 15, April 15, July 15 and October 15, commencing on October 15, 2014; and
- be payable to the holder of record of such Note on January 1, April 1, July 1 and October 1 immediately preceding the related interest payment date.

Set forth below is a summary of certain of the provisions from the indenture relating to the calculation of interest on the Notes.

"Determination Date," with respect to an Interest Period will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period, except that the initial determination date shall be July 22, 2014.

"EURIBOR," with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"Euro-zone" means the region comprised of member states of the European Union that have adopted the euro.

"Interest Period" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include October 15, 2014.

"Representative Amount" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"Reuters Page 248" means the display page so designated by Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. Brussels time on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "Interest Amount"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each outstanding Note, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360 and rounding the resultant figure upwards to the nearest available currency unit. The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law; *provided, however*, that the Calculation Agent shall not be responsible for verifying the rate of interest on the Notes is permitted by any applicable law.

Paying Agent and Registrar for the Notes

The Company will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in the City of London. The Company will ensure that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agent will be The Bank of New York Mellon, London Branch.

The Company will also maintain one or more registrars (each, a "*Registrar*"). The Company will also maintain a transfer agent in Luxembourg. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A. The initial transfer agent will be The Bank of New York Mellon, London Branch. The Registrar will maintain a register reflecting ownership of any of the Notes in the form of definitive registered notes (the "*Definitive Registered Notes*") outstanding from time to time and will make payments on and facilitate transfers of any Definitive Registered Notes on behalf of the Company.

The Company may change the Paying Agent, the Registrars or the transfer agents without prior notice to the holders. For so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange (the "Euro MTF") and the rules of the Luxembourg Stock Exchange so require, the Company will publish a notice of any change of Paying Agent, Registrar or transfer agent in a manner permitted by such rules.

Transfer and exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act ("*Rule 144A*") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*144A Global Notes*"), and Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act ("*Regulation S*") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*").

The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "*Notice to investors*".

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in a 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in a Regulation S Global Note only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, upon receipt by the relevant Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to investors*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Additional amounts

All payments made by or on behalf of the Company under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any of the Guarantors with respect to any Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company or any Guarantor is then incorporated or organized, or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors under or with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the existence of any actual or deemed (pursuant to applicable Tax law of the relevant Tax Jurisdiction, such as, if applicable, a connection of a partnership that is attributed to the partners/beneficial owners) present or former connection between the holder or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the holding of such Note, the enforcement of rights under such Note or under a Notes Guarantee or the receipt of any payments in respect of such Note or a Notes Guarantee;

(2) any Taxes imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes;

(4) any Taxes withheld, deducted or imposed on a payment to an individual that are required to be made pursuant to European Council Directive 2003/48/EC, as amended or supplemented from time to time, including through European Council Directive 2014/48/EU, or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with or introduced in order to conform to, such directive;

(5) Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(6) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Notes Guarantee;

(7) any Taxes imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, to comply with any reasonable written request of the Company addressed to the holder and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to

the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(8) any Tax imposed on or with respect to any payment by or on behalf of the Company or the relevant Guarantor to the holder if such holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such holder been the sole beneficial owner of such Notes;

(9) any Taxes that are imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation implementing an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code;

(10) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("**Legislative Decree No. 239**")) and any related implementing regulations, and pursuant to Italian Legislative Decree No. 461 of November 21, 1997; *provided* that:

(i) Additional Amounts shall be payable in circumstances in which the procedures required under Legislative Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Company or any Guarantor or their agents; and

(ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (white list) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of the approval of the Italian Ministerial Decree to be issued under art. 168 bis D.P.R. No. 917 of 22nd December 1986 which may amend the list of the countries which allow for a satisfactory exchange of information with Italy, whereby such holder's country of residence does not appear on the new list; or

(11) any combination of items (1) through (10) above.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Notes Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or enforcement of, any of the Notes or any Notes Guarantee (other than on or in connection with a transfer of the Notes other than the initial resale of the Notes by the Initial Purchasers).

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Notes Guarantee, each of the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than forty-five days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate(s) must also set forth any other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the relevant payment date. The Company and the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Company or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this "*Description of the Notes*" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Notes Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Company or any Guarantor is incorporated, organized, engaged in business or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes (or any Notes Guarantee) and any department or political subdivision thereof or therein.

Security

General

The obligations of the Company under the Notes and the Indenture will, subject to certain perfection requirements and any Permitted Collateral Liens, be secured by (i) a first-ranking share pledge over all of the shares of the Company (the "*Company Capital Stock Pledge*"), (ii) a first-ranking pledge of certain intellectual property rights of the Company and (iii) a first-ranking pledge over the receivables in respect of the Subordinated Shareholder Loan. The Indenture will provide that the Collateral will be granted on the Issue Date.

Any additional security interests that may in the future be pledged to secure obligations under the Notes, the Notes Guarantees and the Indenture would also constitute Collateral.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—Additional guarantees*," certain property, rights and assets (other than the Collateral described in the first paragraph of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited, due to, among other things, general statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, fraudulent preference, "earnings stripping", "controlled foreign corporation" and "thin capitalization" rules, tax restrictions, retention of title claims, employee consultation or approval requirements, capital maintenance rules and similar principles, as well as the fiduciary duties of management; the applicable cost being disproportionate to the benefit to the lenders of obtaining such guarantee or security; stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit to the lenders of increasing the guaranteed or secured amount is disproportionate to the level of such fees, taxes and duties; where there is material incremental cost involved disproportionate to the benefit of creating security over those assets owned in a particular category; where giving a guarantee or security would be either impossible or impractical; or where assets are subject to contracts, leases, licenses, or other third party arrangements which are permitted which may prevent those assets from being charged; where it is not within the legal capacity of the relevant person or would conflict with fiduciary duties or contravene legal prohibitions or regulatory conditions or would result in (or in a risk of) personal or criminal liability on the part of any officer.

Security Documents

The Company and the applicable Equity Investors will, as the case may be, enter into the security documents with the Security Agent granting the security interests described above. Subject to the terms of, and limitations under, the Security Documents, these security interests will secure the payment and performance when due of the obligations of the Company under the Notes and the Indenture.

Subject to certain conditions, including compliance with the covenant described under "—*Certain covenants—Liens*," and, with respect to the shares of the Company, the Company Capital Stock Share Pledge, the Company is permitted to pledge or cause its Subsidiaries to pledge the Collateral in connection with future incurrences of Indebtedness, including issuances of Additional Notes, permitted under the Indenture on a *pari passu* basis with the then outstanding Notes. Subject to certain conditions contained in the Security Documents, the Equity Investors will also be permitted to pledge the Collateral in connection with future incurrences of Indebtedness. The Collateral can also be released from the Liens of the Security Documents under certain circumstances. See "—*Release*" below. The obligations under the Notes and the Revolving Credit Facility and certain future indebtedness permitted under the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, will be secured equally and ratably by first-ranking Liens over the Collateral, however, any proceeds received upon any enforcement over any of the Collateral will only be applied in repayment of the Notes, and all other debt ranking *pari passu* with the Notes, after all liabilities in respect of the obligations under the Revolving Credit Facility, certain future Hedging Obligations, if any, and certain future indebtedness permitted by the Indenture (subject to the Intercreditor Agreement or any Additional Intercreditor Agreement), if any, have been paid from such recoveries.

Release

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, upon receipt of an Officer's Certificate addressed to the Security Agent and the Trustee, the Security Agent shall release, and the Trustee shall, if so requested, direct the Security Agent to release, without the need for consent of the holders, Liens over the property and other assets constituting Collateral securing the Notes and the Notes Guarantees (if any):

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (except as provided under clause (9) below, other than in respect of the Company Capital Stock Pledge) (i) to a Person that is not (either before or after giving effect to such transaction) the Company or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the "Asset sales" provisions of the Indenture or (ii) if such assets become subject to an equivalent Lien in favor of the Security Agent for the benefit of the holders of the Notes concurrent with such sale, assignment, transfer, conveyance or other disposition; *provided* that such sale, assignment, transfer, conveyance or other disposition of such property or assets is permitted by the Indenture;

(2) in the case of any Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) if the Company designates any of its Restricted Subsidiaries to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—*Legal defeasance and covenant defeasance*" and "—*Satisfaction and discharge*";

(5) in connection with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement as described under "*Description of certain financing arrangements—Intercreditor Agreement*";

(6) upon the full and final payment of the Notes and performance of all Obligations of the Company and any Guarantors under the Indenture and the Notes;

(7) as described under the caption "—*Amendment, supplement and waiver*";

(8) as described under the caption "—*Certain covenants—Impairment of security interest*";

(9) in connection with one or more Permitted Reorganizations as described under the caption "—*Certain covenants—Permitted Reorganization*";

(10) in respect of Liens over the Subordinated Shareholder Loan, upon its capitalization or conversion into equity of the Company; or

(11) as otherwise permitted in accordance with the Indenture.

Limitations under Liens on the Collateral and any future Guarantees

Any Guarantee and each Lien on the Collateral will be limited as required to comply with corporate benefit, maintenance of capital and other laws. By virtue of these limitations, a Guarantor's obligations under its Guarantee and Liens on the Collateral could be significantly less than amounts payable in respect of the Notes, or a Guarantor may have effectively no obligations under its Guarantee or its Liens granted on the Collateral. See "*Risk factors—Risks Related to the Notes and the Collateral—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*" and "*Limitations on validity and enforceability of the security interests and certain insolvency law considerations*" .

Intercreditor Agreement

To establish the relative rights of certain creditors of the Company under certain financing arrangements, including, without limitation, the Notes, the Revolving Credit Facility, certain Hedging Obligations and the Subordinated Shareholder Loan, the Company, the agent under the Revolving Credit Facility, the Trustee and the Security Agent will enter into the Intercreditor Agreement. See "*Description of certain financing arrangements—Intercreditor Agreement*". Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility and certain Hedging Obligations that are permitted to be incurred by clause (8) of the definition of Permitted Debt and permitted to be secured on the Collateral (see "—*Certain definitions—Permitted Collateral Liens*") will receive priority with respect to any proceeds received upon any enforcement over any Collateral. Any proceeds received upon any enforcement over any Collateral, after all obligations under the Revolving Credit Facility have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other Indebtedness of the Company permitted to be incurred and secured by the Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement.

Permitted Reorganization

The Permitted Holders may consider certain corporate reorganization transactions in which certain or all of them may undertake in future to insert a new direct holding company above the Company through which the applicable Permitted Holder holds its interest in the Company ("*New Holdco*"), including in connection with potential debt or equity capital market transactions that may be undertaken by the New Holdco. A New Holdco, if formed, will not guarantee the Notes and its shares will not be pledged to secure the Notes. The Indenture governing the Notes will permit such corporate reorganizations without the consent of holders of the Notes, so long as the requirements of the Indenture are fulfilled, see "—*Certain Covenants—Permitted Reorganization*". In the event the Permitted Reorganization occurs, the Capital Stock of the Company held by the applicable Permitted Holder or Permitted Holders will be transferred to the Parent Holdco subject to the security interest created under the Company Capital Stock Pledge. In addition, in connection with a Permitted Reorganization involving MO.DA. or any other company which at such time is the lender under the Subordinated Shareholder Loan, the obligations of the Company under the Subordinated Shareholder Loan will be assumed by the New Holdco and the pledge of the receivables under the Subordinated Shareholder Loan securing the Notes will be released, and the receivable owed to New Holdco by the Company under such loan immediately converted into equity. See "*Risk Factors—Risks related to the Notes and the Collateral—The granting of the security interests in the Collateral and the undertaking* *of a Permitted Reorganization may create hardening periods for such security interests in accordance with Italian law*."

Optional redemption

At any time prior to January 15, 2016, the Company may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to January 15, 2016, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% plus the Applicable Rate in effect on the date on which the notice of redemption is given of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of one or more Equity Offerings the proceeds of which are contributed to the Company (other than in the form of an Excluded Contribution or Parent Debt Contribution) in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Company or as Subordinated Shareholder Debt of the Company, *provided* that:

(1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Equity Offering.

Except pursuant to the two preceding paragraphs and except pursuant to "*—Redemption for changes in taxes*", the Notes will not be redeemable at the Company's option prior to January 15, 2016.

On or after January 15, 2016 the Company may on any one or more occasions redeem all or a part of the Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes redeemed, to, but not including, the applicable date of redemption:

Date	Redemption Price
From January 15, 2016 to July 14, 2016	102.000%
From July 15, 2016 to July 14, 2017	101.000%
From July 15, 2017 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

We may repurchase the Notes at any time and from time to time in the open market or otherwise.

Redemption for changes in taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company or any Guarantor (each, a "**Payor**") is or would be required to pay Additional Amounts (but, in the case of a Payor that is a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and the Payor cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

(2) any amendment to, introduction of, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date)

(each of the foregoing clauses (1) and (2), a "**Change in Tax Law**").

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment or withholding if a payment in respect of the Notes was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee (a) an Officer's Certificate stating that obligation to pay such Additional Amounts cannot be avoided by the Payor taking reasonable measures available to it (including, in the case of a Payor that is a Guarantor, that the payment giving rise to such requirement cannot be made by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts); and (b) a written opinion of independent tax counsel to the Company of recognized standing qualified under the laws of the relevant Tax Jurisdiction and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions will apply mutatis mutandis to the laws and official positions of any jurisdiction in which any successor to a Payor is organized or otherwise considered to be a resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Sinking fund

The Company is not required to make sinking fund payments with respect to the Notes.

Repurchase at the option of holders

Change of control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the

Change of Control Offer, the Company will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of repurchase (the "*Change of Control Payment*"), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Company will mail a notice to each holder, with a copy to the Trustee, of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and notice*", stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the U.S. Securities Exchange Act of 1934, as amended (the "*U.S. Exchange Act*") and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee and the Paying Agent an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agent will promptly distribute (or cause to be distributed) to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or an authentication agent approved by it, upon receipt of an authentication order from the Company) will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Company to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control would also constitute a mandatory prepayment event under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility may not constitute a Change of Control under the Indenture. The future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Company to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the ability of the Company to pay cash to the holders of the Notes, and any other Indebtedness then becoming payable, upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk factors—Risks related to the Notes and the Collateral. We may not be able to purchase the Notes upon a change of control*".

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption "*—Optional redemption*", unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain. In addition, the definitions of "Change of Control" and "Permitted Holders" expressly permit a third party to obtain control of the Company in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

The definition of "Change of Control" provides that a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event. See "*—Certain definitions—Change of Control*".

If and for so long as the Notes are listed on the Euro MTF, the Company will publish notices relating to the Change of Control Offer to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Asset sales

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as recorded on the balance sheet of the Company or any Restricted Subsidiary or the notes thereto (or, if incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) other than Subordinated Indebtedness, that are assumed by the transferee of any such assets and as a result of which the Company and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

(c) any Capital Stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant;

(d) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale;

(e) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary which is cancelled or extinguished;

(f) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (f) that is at that time outstanding, not to exceed the greater of €7.5 million and 1.9% of the Company's Total Assets, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(g) Replacement Assets.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Company or Restricted Subsidiary):

(1) to repay, repurchase, prepay or redeem (a) Indebtedness of the Company or any Guarantor incurred pursuant to clause (1) of the second paragraph of the covenant entitled "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Notes or any Notes Guarantee, or any Indebtedness secured on the Collateral on a "super priority" basis, (b) Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor (other than Indebtedness that is owed to the Company or a Restricted Subsidiary), (c) obligations under the Notes and any *pari passu* Indebtedness that is secured by a Lien on the Collateral that ranks equal to the Lien on the Collateral securing the Notes and that is not subordinated in right of payment to the Notes or any Notes Guarantee pursuant to an Asset Sale Offer (as defined below) and (d) Indebtedness that is not subordinated in right of payment to the Notes or any Note Guarantee that is secured on assets which do not constitute Collateral; *provided* that, for purposes of this clause (1)(d), only Net Proceeds from the sale of assets which do not constitute Collateral and which secure the Indebtedness to be repayed, repurchased, prepayed or redeemed may be applied;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(3) to make a capital expenditure;

(4) to acquire other assets (other than Capital Stock) not classified as current assets under GAAP that are used or useful in a Permitted Business;

(5) to enter into a commitment approved by the Board of Directors or otherwise binding on the Company to apply the Net Proceeds pursuant to clauses (1), (2), (3), (4), (6) or (7) of this paragraph; *provided* that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 360 day period;

(6) invest in any Replacement Assets; or

(7) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Company (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*". When the aggregate amount of Excess Proceeds exceeds the greater of €5.0 million and 1.3% of the Company's Total Assets, within ten Business Days thereof, or at any earlier time at the Company's election, the Company will make an offer (an "*Asset Sale Offer*") to all holders of Notes and may, to the extent the Company so elects, also make an offer to holders of other Indebtedness that is *pari passu* with the Notes or any Notes Guarantees to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to (solely in the case of the Notes) 100% of the principal amount and (solely in the case of any other *pari passu* Indebtedness) no greater than 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Notes or other *pari passu* Indebtedness tendered pursuant to an application of Net Proceeds pursuant to clause (1) of the second paragraph of this covenant exceeds the amount of the Net Proceeds so applied, the Registrar will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a pro rata basis (or in the manner described under "*—Selection and notice*"), based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. The Registrar shall not be liable for any selections made by it in accordance with this paragraph.

The Company will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control or Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control or Asset Sale provisions of the Indenture by virtue of such compliance.

Selection and notice

If less than all of the Notes are to be redeemed at any time, the Registrar will select Notes for redemption on a *pro rata* basis (or, in the case of Notes issued in global form as discussed under "*Book-entry, delivery and form*", based on a method that most nearly approximates a *pro rata* selection as the Registrar deems fair and appropriate), unless otherwise required by law or applicable stock exchange or depository requirements. The Registrar shall not be liable for any selections made by it in accordance with this paragraph.

No Notes of €100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of such Note upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Euro MTF, any such notice to the holders of the relevant Notes shall also be published in the manner permitted by the rules of the Luxembourg Stock Exchange and, in connection with any redemption, the Company will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Certain covenants

Restricted payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's Equity Interests or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries), except: (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Debt of the Company) or (B) dividends or distributions payable to the Company or a Restricted Subsidiary;

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any Parent Holdco of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Equity Interests of the Company (other than Disqualified Stock));

(3) make any principal payment on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Company or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Notes Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof, or (ii) the purchase, repurchase, redemption, defeasance or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(4) make any payment (except through capitalization) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(5) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (5) above being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur immediately thereafter as a consequence of such Restricted Payment;

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional

Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described below under the caption "—*Incurrence of indebtedness and issuance of Preferred Stock*"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (and not returned or rescinded) (including Restricted Payments permitted by clauses (1), (13), (19) and (20) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum, without duplication, of:

  (i) 50% of Consolidated Net Income of the Company for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

  (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Equity Interests (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Debt subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (w) Subordinated Shareholder Debt or Capital Stock in each case sold to a Subsidiary of the Company, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (4) of the next succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);

  (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness or Disqualified Stock that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Debt (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (4) of the next succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions; and

  (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (16) of the definition of "Permitted Investments"; and

(vi) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included in the foregoing clause (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the Fair Market Value thereof, or, if such fair market value exceeds €15.0 million, as determined in good faith by the Board of Directors of the Company.

The preceding provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) the making of any Restricted Payment in exchange for, or out of or with the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Company (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or Parent Debt Contribution), *provided* that the amount of any such Net Cash Proceeds, or Fair Market Value of property or assets or marketable securities, from such sale or issuance of Equity Interests or Subordinated Shareholder Debt that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Notes Guarantee with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company, any Restricted Subsidiary or any Parent Holdco and loans, advances, dividends or distribution by the Company to any Parent Holdco to permit any Parent Holdco to repurchase, redeem or otherwise acquire or retire for value Equity Interests of the Company, any Parent Holdco or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Company, any Parent Holdco or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €2.0 million plus €1.0 million for each calendar year elapsed after

the Issue Date (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided further* that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Company, any Parent Holdco or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any of its Restricted Subsidiaries or any Parent Holdco of the Company to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clause (2) of this paragraph and are not Excluded Contributions;

(5) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption "—*Incurrence of indebtedness and issuance of Preferred Stock*";

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(8) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or any Parent Holdco or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Company or any Parent Holdco (other than Disqualified Stock); *provided* that the total aggregate amount of Restricted Payments made under this clause (8) does not exceed €2.0 million in any calendar year with unused amounts from such calendar year (but not including unused amounts from any prior calendar year) being available for use during the immediately succeeding calendar year;

(9) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) then entitled to participate in such dividends on a *pro rata* basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;

(10) dividends, loans, advances or distributions to any Parent Holdco or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

  (a) the amounts required for any Parent Holdco to pay any Parent Expenses or any Related Taxes; or

  (b) amounts constituting or to be used for purposes of making payments of fees and expenses incurred (i) in connection with the Transactions or disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (1), (4), (7) and (10) of the second paragraph under "—*Transactions with affiliates*";

(11) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (11);

(12) so long as no Default or Event of Default has occurred and is continuing, the payment of Management Fees;

(13) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Holdco to pay, dividends on the common stock or common equity interests of the Company or any Parent Holdco following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Company or contributed as Subordinated Shareholder Debt to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 2.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 2.50 to 1.0;

(14) so long as no Default or Event of Default has occurred and is continuing, other Restricted Payments in an aggregate amount not to exceed, since the Issue Date, the greater of €7.5 million and 1.9% of the Company's Total Assets;

(15) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) from Excess Proceeds to the extent permitted under "*—Repurchase at the option of holders—Asset sales*", but only if the Company shall have first complied with the terms described under "*—Repurchase at the option of holders—Asset sales*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the terms described under "*—Repurchase at the option of holders—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) consisting of Acquired Debt (other than Indebtedness incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Debt;

(16) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(17) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Holdco or any Affiliate thereof, the proceeds of which

will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Holdco or Affiliate issued after the Issue Date; *provided*, *however*, that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preference Shares, after giving effect to such issuance (and the payment of dividends or distributions) on a pro forma basis, the Fixed Charge Coverage Ratio of the Company would have been at least 2.0 to 1.0 and (B) in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (17) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Holdco or an Affiliate the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Debt to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;

(18) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(19) dividends or other distributions in amounts required for a direct or indirect parent of the Company to pay interest on Indebtedness the proceeds of which have been contributed as a Parent Debt Contribution to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company or any of its Restricted Subsidiaries incurred in accordance with the covenant described under "*—Incurrence of indebtedness and issuance of Preferred Stock*"; and

(20) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Leverage Ratio does not exceed 2.0 to 1.0 on a *pro forma* basis after giving effect to any such Restricted Payment.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Incurrence of indebtedness and issuance of Preferred Stock

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided*, *however*:

(1) that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Company and any other Restricted Subsidiary may incur Indebtedness (including Acquired Debt) and issue Preferred Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or Preferred Stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or Preferred Stock had been issued, as the case may be, at the beginning of such four quarter period; and

(2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Company and any Restricted Subsidiary may incur such Senior Secured Indebtedness if the Consolidated Net Senior Secured Leverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred is less than 3.0 to 1.0 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the Indebtedness had been incurred at the beginning of such four quarter period.

Restricted Subsidiaries that are not Guarantors may only incur Indebtedness pursuant to this first paragraph if on a pro forma basis (including a pro forma application of the net proceeds therefrom), the aggregate amount of Indebtedness of Restricted Subsidiaries that are not Guarantors incurred pursuant to this first paragraph would not exceed €15.0 million.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "*Permitted Debt*"):

(1) Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed the greater of €30.0 million and 7.5% of the Company's Total Assets, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) Indebtedness outstanding on the Issue Date;

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes (other than Additional Notes) and any future Notes Guarantees (other than Notes Guarantees in respect of Additional Notes);

(4) the incurrence by the Company or any Restricted Subsidiary of (A) Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, (B) Indebtedness otherwise incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Permitted Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of, at any time outstanding, €5.0 million and 1.3% of the Company's Total Assets;

(5) the incurrence by the Company or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) incurred under the first paragraph of this covenant or clause (2), (3), (5), (13) or (19) of this paragraph;

(6) the incurrence by the Company or any Restricted Subsidiary of intercompany Indebtedness between or among the Company or any Restricted Subsidiary; *provided* that:

   (a) if the Company or any Guarantor is the obligor under such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries and (ii) only to the extent legally permitted (the Company and its Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors of officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or a Notes Guarantee, in the case of a Guarantor, to the extent required by the Intercreditor Agreement; and

   (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Company or to any of its Restricted Subsidiaries of Preferred Stock; *provided* that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary; and

(b) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any Restricted Subsidiary of Hedging Obligations not for speculative purposes (as determined in good faith by the Board of Directors or a member of senior management of the Company);

(9) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness incurred in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(12) Indebtedness represented by guarantees of any Management Advances;

(13) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or Indebtedness incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided*, *however*, with respect to this clause (13), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (i)(a) the Company would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (13) calculated on a *pro forma* basis or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis; and (ii) if the Indebtedness is Senior Secured Indebtedness

incurred by the Company or a Restricted Subsidiary (other than such Person (and any of such Person's Subsidiaries) subject to the acquisition or other transaction pursuant to which such Indebtedness was incurred), the Consolidated Net Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis;

(14) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary;

(15) Indebtedness of the Company and its Restricted Subsidiaries in respect of (A) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, and (B) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, entered into in the ordinary course of business; *provided*, *however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 90 days following such drawing;

(16) guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Company, so long as the proceeds of the Indebtedness so guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause (c)(ii) of the first paragraph of the covenant described above under the caption "*—Restricted payments*" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional redemption" provisions of the Indenture;

(17) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries in an aggregate principal amount at any time outstanding, including all Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (17), not to exceed the greater of €10.0 million and 2.5% of the Company's Total Assets;

(18) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Company or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);

(19) Indebtedness of the Company or any Guarantor in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (19) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2), (4) and (13) of the third paragraph of the covenant described above under "*—Restricted payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (19) to the extent the Company or any of its Restricted Subsidiaries makes a

Restricted Payment under the first paragraph or clauses (2), (4) or (13) of the third paragraph of the covenant described above under "*—Restricted payments*" in reliance thereon; and

(20) Indebtedness consisting of local lines of credit, bilateral facilities and/or working capital facilities not exceeding the greater of €10.0 million and 2.5% of the Company's Total Assets at any one time outstanding.

Notwithstanding anything to the contrary contained herein, if the Indebtedness (or any part thereof) to be incurred pursuant to this covenant is intended to rank senior to the Notes or the Notes Guarantees with respect to proceeds distributions of any enforcement of any of the Collateral, such Indebtedness (or any part thereof) may only be incurred pursuant to: (i) clause (1) of the definition of Permitted Debt and (ii) clause (8) of the definition of Permitted Debt (but only to the extent the Hedging Obligations are of the type referred to in clause (3) of the definition of Permitted Collateral Liens). For purposes of determining compliance with this "*Incurrence of indebtedness and issuance of Preferred Stock*" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (20) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; *provided*, *however*, that the aggregate principal amount at any time outstanding of Indebtedness incurred pursuant to clause (1) of the definition of Permitted Debt that may be reclassified pursuant to this paragraph shall not exceed €50.0 million. The accrual of interest or Preferred Stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional shares of the same class of Preferred Stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the euro equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred in the case of term debt, or first committed or first incurred (whichever yields the lower euro-equivalent), in the case of revolving debt; *provided*, *however*, that (i) if such Indebtedness denominated in non-euro currency is subject to a Currency Exchange Protection Agreement with respect to euro the amount of such Indebtedness expressed in euro will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the euro equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that such euro equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with GAAP;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness;

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

  (a) the Fair Market Value of such assets at the date of determination; and

  (b) the amount of the Indebtedness of the other Person; and

(4) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, which will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness

Liens

The Company will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired (such Lien, the "*Initial Lien*"), except (1) in the case of any property or asset that does not constitute Collateral, (a) Permitted Liens or (b) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release*".

Dividend and other payment restrictions affecting Restricted Subsidiaries

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any Restricted Subsidiary;

(2) make loans or advances to the Company or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) (a) any agreements as in effect on the Issue Date or (b) any other agreement or instrument with respect to the Company or any Restricted Subsidiary in effect or entered into on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements referred to in clauses (a) and (b) above; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or the Issue Date, as applicable (as determined in good faith by

the Company) or would not, in the good faith determination of the Company, materially impair the ability of the Company to make payments on the Notes;

(2) the Indenture, the Notes, any Notes Guarantees, the Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption "*—Incurrence of indebtedness and issuance of Preferred Stock*" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein are not materially less favourable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(6) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(8) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Company or would not in the good faith determination of the Company, materially impair the ability of the Company to make payments on the Notes;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "*—Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with a Restricted Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(13) any Qualified Receivables Financing; and

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or would

not in the good faith determination of the Company, materially impair the ability of the Company to make payments on the Notes.

Merger, consolidation or sale of assets

The Company will not: (1) consolidate or merge with or into another Person (whether or not it is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in either case, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Company (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which the Company is a party;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in clause (1) of the first paragraph of the covenant described above under the caption "*—Incurrence of indebtedness and issuance of Preferred Stock*" or (ii) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

(5) the Company, delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Company or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms.

A Guarantor (other than a Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Notes Guarantee and the Indenture) will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries that are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either:

  (a) such Guarantor is the surviving Person; or

  (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Notes Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party;

(2) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such

transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists; and

(3) the Company delivers to the Trustee an Officer's Certificate and Opinion of Counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes Guarantee constitute legal, valid and subsidiary obligations of the Guarantor or the Person formed by or surviving any such consolidation and merger (as applicable) enforceable in accordance with their terms.

In addition, none of the Company or any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This "*Merger, consolidation or sale of assets*" covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor into the Company, a Guarantor or another Restricted Subsidiary (*provided*, *however*, that a Restricted Subsidiary that (i) is not a Guarantor, (ii) has incurred Indebtedness pursuant to and that is outstanding under clause (13) of the definition of Permitted Debt and (iii) has secured such Indebtedness pursuant to clause (2) of the definition of Permitted Liens may only consolidate or merge with or into another such Restricted Subsidiary), (b) any consolidation or merger among Guarantors and (c) any consolidation or merger among the Company and any Guarantor; *provided* that, if the Company is not the surviving entity of such merger or consolidation, the relevant Guarantor is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada, any state of the United States or the District of Columbia and clauses (2) and (5) of the first paragraph of this covenant will be complied with. Clauses (3) and (4) of the first paragraph and clause (2) of the second paragraph of this covenant will not apply to any merger or consolidation of the Company or any Guarantors with or into an Affiliate solely for the purpose of reincorporating the Company or such Guarantor in another jurisdiction.

Permitted Reorganization

The Trustee and the Security Agent shall, at the Company's written request on one or more occasions, without the consent of the holders of Notes, agree to the transfer of all or part of the Capital Stock of the Company held directly or indirectly by certain or all of the Permitted Holders to New Holdco; *provided* that:

(1) New Holdco will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada or Switzerland;

(2) New Holdco will acquire the Capital Stock of the Company held directly or indirectly by such Permitted Holders subject to the Company Capital Stock Pledge and shall have entered into a confirmation deed or similar instrument in respect thereof expressly confirming the first-ranking pledge of such Capital Stock in favor of the holders of the Notes and assuming all of the obligations of such Permitted Holders under the Company Capital Stock Pledge and the Intercreditor Agreement;

(3) immediately after giving effect to such Permitted Reorganization, no Default or Event of Default shall have occurred and be continuing; and

(4) the Company shall have delivered to the Trustee (i) an Officer's Certificate and an Opinion of Counsel, each stating, subject to customary assumptions and qualifications, that such Permitted Reorganization, any supplemental indenture signed in connection therewith and the share pledge referred to in clause (2) above complies with the Indenture, any such supplemental indenture and the Intercreditor Agreement and that the share pledge is enforceable and (ii) a certificate from the board of directors of the Company or the chief financial officer of the Company (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Company after giving effect to such Permitted Reorganization.

Following the Permitted Reorganization, (i) such Permitted Holders shall be released from all obligations under the Company Capital Stock Pledge, which shall be assumed in full by the New Holdco and (ii) in the event that MO.DA or any other company which at such time is the lender under the Subordinated Shareholder Loan is involved in the Permitted Reorganization and transfers all of its shares in the Company to New Holdco, the pledge of the Subordinated Shareholder Loan securing the Notes shall be immediately released.

Transactions with affiliates

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "*Affiliate Transaction*") involving aggregate payments or consideration in excess of €2.0 million, unless:

(1) the Affiliate Transaction is on terms that are no less favourable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €5.0 million, a resolution of the Board of Directors of the Company set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and, in addition,

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view to the Company and its Restricted Subsidiary or (ii) on terms not materially less favourable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, collective bargaining agreement, consultant, employee benefit or indemnification arrangements with any employee, consultant, officer or director of the Company or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans (and any issuance or awards or grants in cash, securities or otherwise in connection therewith), entered into in the ordinary course of business;

(2) transactions between or among the Company and/or its Restricted Subsidiaries;

(3) transactions in the ordinary course of business with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of Officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company and the granting of registration rights or entry into a stockholders' agreement with respect to the Company's Equity Interests;

(6) any Investment (other than a Permitted Investment) or other Restricted Payment, in either case, that does not violate the provisions of the Indenture described above under the caption "*—Restricted payments*";

(7) Management Advances and waivers with respect thereto and the payment of Management Fees;

(8) any Permitted Investments (other than Permitted Investments described in clause (3) of the definition thereof);

(9) the incurrence of any Subordinated Shareholder Debt and any amendment, waiver or other transaction with respect thereto in compliance with the other provisions of the Indenture, the Intercreditor Agreement or Additional Intercreditor Agreement;

(10) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not more disadvantageous in any material respect to the holders of the Notes than the original agreement as in effect on the Issue Date (as determined in good faith by the Board of Directors or a member of senior management of the Company) and transactions or agreements described in "*Certain relationships and related party transactions*";

(11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(12) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Company or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(13) any transaction effected as part of a Qualified Receivables Financing;

(14) any contribution to the capital of the Company in exchange for Capital Stock of the Company (other than Disqualified Stock and Preferred Stock);

(15) any transactions which the Company or any of its Restricted Subsidiaries delivers to the Trustee a letter from an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(16) pledges of Equity Interests of Unrestricted Subsidiaries; and

(17) investments by Affiliates of the Company in Indebtedness or Disqualified Stock of the Company or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or Disqualified Stock, and transactions with Affiliates of the Company solely in their capacity as holders of Indebtedness or Disqualified Stock of the Company or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally.

Additional guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Company or a Guarantor under any Credit Facilities unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the guarantee of the payment of the Notes by such Restricted Subsidiary, which guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness.

Each additional Notes Guarantee will be limited as necessary to recognise certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing paragraphs in this covenant, the Company shall not be obliged to cause such Restricted Subsidiary to Guarantee the Notes to the extent that granting such Notes Guarantee by such Restricted Subsidiary would (i) be inconsistent with the Agreed Security Principles, or (ii) reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or the Restricted Subsidiary (including "whitewash" or similar procedures) or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Impairment of security interest

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Liens on the Collateral permitted by the definition of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the holders of the Notes, and the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral; *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents and the Intercreditor Agreement and (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens; and *provided further*, *however*, that, subject to the foregoing clause (a) (except to the extent that such Collateral is to become subject to a Lien following such release or discharge), no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, replacement, restatement, supplement, modification or renewal, the Company delivers to the Trustee one of the following: (1) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, supplement, modification or replacement; (2) a certificate from the board of directors or chief financial officer of the Company (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release or (3) an Opinion of Counsel confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

At the direction of the Company and without the consent of the holder of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents: (i) to cure any ambiguity, omission, defect or inconsistency therein, (ii) (but subject to compliance with the first paragraph of this covenant) to provide for Permitted Collateral Liens, (iii) to add to the Collateral, (iv) in connection with a Permitted Reorganization or (v) to make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect.

In the event that the Company complies with this covenant, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement with no need for instructions from holders of the Notes.

Additional or amended intercreditor agreement

The Indenture will provide that, at the request of the Company, at the time of, or prior to, the incurrence by the Company or any Guarantor of Indebtedness permitted pursuant to the covenant described under "*—Incurrence of indebtedness and issuance of Preferred Stock*", the Company, the relevant Guarantors, the Trustee and the Security Agent will (without the consent of the holders of the Notes) enter into an additional intercreditor agreement (each an "*Additional Intercreditor Agreement*") on terms substantially similar to the Intercreditor Agreement (or more favorable to the holders of the Notes) or an amendment to or an amendment and restatement of the Intercreditor Agreement (which amendment does not adversely affect the rights of holder of the Notes); *provided* that such Intercreditor Agreement or Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement.

The Indenture will provide that each holder of a Note, by accepting such Note, will be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement and Additional Intercreditor Agreement and any amendment referred to in the preceding paragraph and the Trustee or the Security Agent will not be required to seek the consent of any holders of Notes to perform its obligations under and in accordance with this covenant.

Designation of restricted and unrestricted subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "*—Restricted payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Company's Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described above under the caption "*—Restricted payments*". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "*—Incurrence of indebtedness and issuance of Preferred Stock*", the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "*—Incurrence of indebtedness and issuance of Preferred Stock*", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Payments for consent

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

For so long as any Notes are outstanding, the Company will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending December 31, 2014, annual reports containing the following information: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal year, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause 2 or 3 below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials)); (c) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "*Management's discussion and analysis of financial condition and results of operations*"; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments; and (e) material risk factors and material recent developments (*provided* that the information described in clauses (d) and (e) may be provided in the footnotes to the audited consolidated financial statements);

(2) within sixty days following the end of each of the first three fiscal quarters in each fiscal year of the Company (90 days in the case of the fiscal quarter ending June 30, 2014), quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Company, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the unaudited financial statements (including a discussion by business segment), including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring or Permitted Reorganization of the Company and the Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer or Chief Financial Officer at the Company or change in auditors of the Company or any other material event that the Company announces publicly, a report containing a description of such event,

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or IFRS or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Company.

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

All financial statements will be prepared in accordance with GAAP. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, the Company has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Company will also post such report on the Company's website. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF, as required by the rules of the Luxembourg Stock Exchange.

Suspension of certain covenants when Notes rated investment grade

If on any date following the Issue Date:

(1) the Notes have achieved Investment Grade Status; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "*Suspension Period*"), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

(1) "*—Repurchase at the option of holders—Asset sales*";

(2) "*—Restricted payments*";

(3) "*—Incurrence of indebtedness and issuance of Preferred Stock*";

(4) "*—Dividend and other payment restrictions affecting Restricted Subsidiaries*";

(5) "*—Designation of restricted and unrestricted subsidiaries*";

(6) "*—Transactions with affiliates*";

(7) "*—Impairment of Security Interest*"; and

(8) clause (4) of the first paragraph of the covenant described under "*—Merger, consolidation or sale of assets*".

Such covenants will not, however, be of any effect with regard to the actions of Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of

Restricted Payments will be calculated as though the covenant described under the caption "—*Restricted payments*" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "—*Incurrence of indebtedness and issuance of Preferred Stock*". Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee that the two conditions set forth in the first paragraph under this covenant have been satisfied; *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Events of default and remedies

Each of the following is an "*Event of Default*":

(1) default for thirty days in the payment when due and payable of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due and payable (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Company or relevant Guarantor for 60 days after written notice (i) to the Company by the Trustee or (ii) to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1) or (2));

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries, other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal on such Indebtedness at final maturity prior to the expiration of the grace period provided in such Indebtedness on the date of such default, and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a "*Payment Default*"); or

    (b) results in the acceleration of such Indebtedness prior to its express maturity,

    and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €10.0 million or more;

(5) failure by the Company or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of €10.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of sixty consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(6) except as permitted by the Indenture (including with respect to any limitations), any Notes Guarantee of a Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together,

would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Notes Guarantee;

(7) the security interests purported to be created under any Security Document (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a Fair Market Value in excess of €5.0 million will, at any time, cease to be in full force and effect and constitute a valid and perfected Lien with the priority required by the applicable Security Document and/or the Intercreditor Agreement or Additional Intercreditor Agreement for any reason other than the satisfaction in full of all obligations under the Indenture and discharge of the Indenture or in accordance with the terms of the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any security interest purported to be created under any Security Document is declared invalid or unenforceable or the Company or any Guarantor granting Collateral the subject of any such security interest asserts in writing that any such security interest is invalid or unenforceable and such failure to be in full force and effect or such assertion has continued uncured for a period of 15 days; and

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice or other act on the part of the Trustee or any holders of Notes. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes by written notice to the Company (and to the Trustee if such notice is given by the holders) may and the Trustee, upon the written request of such holders, shall declare all amounts in respect of the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of default and remedies*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity and/or security (including pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendment, supplement and waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested, in writing, that the Trustee pursue the remedy;

(3) such holders have offered the Trustee security (including pre-funding) and/or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within sixty days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such sixty-day period.

The holders of not less than a majority in aggregate principal amount of the Notes outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal or premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Notes affected).

The Company will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture and the Notes Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Legal defeasance and covenant defeasance

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Notes Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any Guarantors' obligations in connection therewith; and

(4) the "Legal defeasance and covenant defeasance" provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that will be described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of default and remedies*" (except those relating to payments on the Notes or, solely with respect to the Company, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee (or such entity designated by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in euro, non-callable European Government Obligations or a combination of cash in euro and non-callable European Government Obligations, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the

applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee of United States counsel confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the holders of the outstanding Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee of United States counsel confirming that the holders of the outstanding Notes will not recognise income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Company, the Guarantors or others; and

(5) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, supplement and waiver

Subject to applicable Italian law, including the provisions described under "—*Meetings of holders of Notes*", except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Subject to applicable Italian law, including the provisions described under "—*Meetings of holders of Notes*", unless consented to by the holders of at least 75% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "—*Repurchase at the option of holders*");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any guarantee in respect thereof;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(6) make any Note payable in money other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "*—Repurchase at the option of holders*");

(9) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(10) release the Liens on all or substantially all of the Collateral granted for the benefit of the holders of Notes, except in accordance with the terms of the relevant Security Document, the Indenture and the Intercreditor Agreement;

(11) to evidence changes or other modifications necessary to effect a Permitted Reorganization; or

(12) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, any Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Notes Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;

(3) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(4) to conform the text of the Indenture, the Notes Guarantees, the Notes or the Security Documents to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes Guarantees, the Notes or the Security Documents;

(5) to release any Notes Guarantee in accordance with the terms of the Indenture;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(7) to allow any Guarantor to execute a supplemental indenture and/or a Notes Guarantee with respect to the Notes;

(8) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(9) to enter into additional or supplemental Security Documents;

(10) to add additional parties to the Intercreditor Agreement or any Security Document to the extent permitted hereunder or thereunder; or

(11) to evidence and provide the acceptance of the appointment of a successor Trustee or the Security Agent under the Indenture or to evidence and provide the acceptance of the appointment of a Security Agent under the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document.

The consent of the holders of Notes will not be necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officer's Certificate.

Satisfaction and discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated and delivered, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company or discharged from such trust as provided for in the Indenture, have been delivered to the Principal Paying Agent for cancellation; or

(b) all Notes that have not been delivered to the Principal Paying Agent for cancellation have become due and payable by reason of the mailing of a notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Company or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in euro, non-callable European Government Obligations or a combination of cash in euro and non-callable European Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Principal Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Company or any Guarantor has paid or caused to be paid all sums payable by the Company and the Guarantors under the Indenture; and

(3) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent in the Indenture relating to satisfaction and discharge of the Indenture have been satisfied such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument governed by New York law to which the Company, any Guarantor or any Restricted Subsidiary of the Company is a party or by which the Company, any Guarantor or any Restricted Subsidiary of the Company is bound; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Meetings of holders of Notes

All meetings of holders of the Notes will be held in accordance with applicable Italian laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendment, supplement and waiver*," in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the holders of the

Notes to consider any matter affecting their interests, including, without limitation, any amendment, supplement or waiver described above under the caption "*—Amendment, supplement and waiver*." A meeting may be convened by either the Board of Directors of the Company or the Noteholders' Representative (as defined below) and shall be convened upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

According to the Italian Civil Code, the vote required to pass a resolution by such meeting will be (i) in the case of the first meeting, one or more persons present that hold or represent holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of a second and any further adjourned meeting, one or more persons that hold or represent holders of more than two thirds of the aggregate principal amount of the outstanding Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided*, *however*, that the Company's bylaws may provide for a higher quorum (to the extent permitted under Italian law).

Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by a resolution passed at a meeting of holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the first paragraph under "*—Amendment, supplement and waiver*," and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass a resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks Relating to the Notes—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all the holders of the Notes with the vote of either 75% or 50% of the outstanding Notes.*" Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of holders of the Notes can be challenged by holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendment, supplement and waiver*." As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendment, supplement and waiver*."

Noteholders' Representative

A representative of the holders of the Notes (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as give effect to resolutions passed at a meeting of the holders of the Notes. Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of the Trustee as the Noteholders' Representative. If the Noteholders' Representative is not appointed by a meeting of the holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Company has its registered office upon the request of one or more holders of the Notes or upon the request of the directors of the Company. The Noteholders' Representative remains appointed for a maximum period of three years but may be reappointed again thereafter.

Judgment currency

Any payment on account of an amount that is payable in euro which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture and the Notes or Notes Guarantee, as the case may be, only to the extent of the amount of euro that such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of euro that could be so purchased is less than the amount of euro originally due to such holder or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency.

This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture.

The Company shall promptly deliver written notice to the Trustee after becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions with the Company or any Guarantor; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will only perform such duties as are set forth specifically in the Indenture. The Indenture will provide that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security (including pre-funding) and indemnity satisfactory to it against any loss, liability or expense.

The Company and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

Governing law

The Indenture, the Notes and the Notes Guarantees will be governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Agreement will be governed by English law.

Consent to jurisdiction and service of process

The Indenture will provide that the Company and each Guarantor, will appoint Law Debenture Corporate Services Inc., as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of judgments

Since a substantial portion of the assets of the Company and the Guarantors are outside the United States, any judgment obtained in the United States against the Company or any Guarantor, may not be collectable within the United States. See "*Service of process and enforcement of civil liabilities*".

Prescription

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Certain definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other (a) Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, or (b) assumed in connection with the acquisition of assets from such Person, in each case whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "*controlling*", "*controlled by*" and "*under common control with*" have correlative meanings.

"*Agreed Security Principles*" means the Agreed Security Principles, as described in this Offering Memorandum, attached to the Revolving Credit Facility.

"*Applicable Premium*" means:

(a) with respect to any Note on any redemption date, the greater of:

  (1) 1.0% of the principal amount of such Note; or

  (2) the excess (to the extent positive) of:

    (a) the present value at such redemption date of (i) the redemption price of such Note at January 15, 2016 (such redemption price being set forth in the table appearing above under the caption "*—Optional redemption*"), plus (ii) all required interest payments due on such Note through January 15, 2016 (excluding accrued but unpaid interest to such redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points and assuming that the rate of interest on such Notes from the redemption date through January 15, 2016 will equal the rate of interest on such Notes in effect on the date on which the applicable notice of redemption is given; over

    (b) the outstanding principal amount of such Note.

as calculated by the Company or on behalf of the Company by such Person as the Company may engage.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar, the Calculation Agent, the Transfer Agent, the Luxembourg Listing Agent or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease (other than operating lease entered in the ordinary course of business), conveyance or other disposition of any assets by the Company or any of its Restricted Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Repurchase at the option of holders—Change of control*" and/or the provisions described above under the caption "*—Certain covenants—Merger, consolidation or sale of assets*" and not by the provisions described under the caption "*—Repurchase at the option of holders—Asset sales*"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Company or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Company (in each case, other than directors' qualifying shares).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain covenants—Merger, consolidation or sale of assets*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) of less than €2.0 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain covenants—Restricted payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (2) of the first paragraph of the covenant described under "*—Repurchase at the option of holders—Asset sales*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain covenants—Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favour of the Company or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction (including any Recourse Factoring or Securitization) or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors of the Company, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); *provided further* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed €5.0 million;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Incurrence of indebtedness and issuance of Preferred Stock*" or an issuance of Capital Stock by the Company pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Repurchase at the option of holders—Asset sales*" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*Beneficially Owns*", "*Beneficially Owned*" and "*Beneficial Ownership*" have corresponding meanings.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the board of directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or *Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to January 15, 2016; *provided*, *however*, that if the period from the redemption date to January 15, 2016 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to January 15, 2016 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in Milan, Italy, London, United Kingdom or New York, U.S.A. or a place of payment under the Indenture are authorized or required by law to close.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet (excluding the footnotes thereto) prepared in accordance with GAAP as in effect on the Issue Date, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Calculation Agent*" means a financial institution appointed by the Company to calculate the interest rate payable on the Notes in respect of each interest period, which shall initially be The Bank of New York Mellon, London Branch.

"*Cash Equivalents*" means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union (other than Greece, Portugal or Spain), the United States of America or Switzerland (including, in each case, any agency or instrumentality thereof), as the case may

be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union (other than Greece, Portugal or Spain) or the United States of America or Switzerland, as the case may be, and which are not callable or redeemable at the Company's option;

(2) certificates of deposit, time deposits, euro time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "Deposit") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any bank or trust company (a) which, at any time since January 1, 2007, the Company or any Subsidiary held Deposits (including any branch, subsidiary or affiliate of such bank or trust company), (b) whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250.0 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the Company becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company ; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent (including New Holdco); or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Collateral*" means the rights, property and assets securing the Notes as described in the section entitled "*—Security*" and any rights, property or assets over which a Lien has been granted to secure the Obligations of the Company under the Notes and the Indenture.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(1) provision for taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) the Fixed Charges of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees) and other non-cash charges and expenses (including without limitation provisions for bad debt and write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period) of the Company and its Restricted Subsidiaries for such period; *plus*

(4) any fees, expenses, charges or other costs related to the issuance of any Capital Stock, any Investment, acquisition, disposition, recapitalization, listing or the incurrence or repayment of Indebtedness or Hedging Obligations permitted to be incurred under the Indenture (including refinancing thereof) whether or not successful, including (i) such fees, expenses, charges or other costs related to any incurrence of Indebtedness and (ii) any amendment or other modification of any incurrence; *plus*

(5) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(6) business optimization expenses and other restructuring charges, expenses, accruals or reserves (which shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), any costs associated with non-ordinary course tax projects and audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; *plus*

(7) any costs or expenses incurred pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement; *plus*

(8) the amount of management, monitoring, consulting and advisory fees and related expenses paid to any Permitted Holder (or accruals relating to such fees and related expenses) to the extent permitted under the Indenture; *plus*

(9) the amount of loss on sale of receivables and related assets to a Receivables Subsidiary in connection with a Qualified Receivables Financing; *plus*

(10) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (16) of the definition of Consolidated Net Income), and other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Leverage Ratio*" means, as of any date of determination, the Consolidated Net Senior Secured Leverage Ratio, calculated as though "Consolidated Net Senior Secured Leverage" were defined to include all Indebtedness other than Hedging Obligations.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net Net Profit of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis; *provided* that:

(1) the Net Profit for such period of any Person (other than a Guarantor) that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash or Cash Equivalents (or to the extent converted into cash or Cash Equivalents) to the referent Person or a Restricted Subsidiary thereof in respect of such period;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under the caption "*—Certain covenants—Restricted payments*", any Net Profit of any Restricted Subsidiary (other than any Guarantor) shall be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under the Notes or the Indenture or (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date), except that the Company's equity in the Net Profit of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(3) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations shall be excluded;

(4) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of the Company);

(5) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries shall be excluded;

(6) the cumulative effect of a change in accounting principles shall be excluded;

(7) any net after-tax extraordinary, nonrecurring, exceptional or unusual gains or losses or income, expenses or charges (less all fees and expenses relating thereto) or any charges or reserves in respect of any severance expenses and expenses, charges, fees or other costs related to any Equity Offering, the issuance of the Notes (and any Additional Notes), the entering into of the Revolving Credit Facility and the transactions related thereto;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or mark-to-market changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations shall be excluded;

(9) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment or termination of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid) and any net gain or loss from any write-off or forgiveness of Indebtedness shall be excluded;

(10) Any (a) relocation costs or expenses relating to officers and employees, (b) one-time non-cash compensation charges, (c) the costs and expenses related to employment of terminated officers or employees and (d) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other equity interests or rights of officers or directors, in each case of such Person or any of its Restricted Subsidiaries shall be excluded;

(11) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, grants and sales of stock, stock appreciation or similar rights,

stock options or other equity interests or rights of officers, directors and employees of such Person or any of its Restricted Subsidiaries shall be excluded;

(12) any goodwill or other intangible asset impairment charges and the amortization of intangibles arising from the application of GAAP (excluding any non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period except to the extent such item is subsequently reversed) shall be excluded;

(13) any non-cash interest expense, including non-cash interest expense associated with Subordinated Shareholder Debt, and any non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Notes and the date on which all the Notes cease to be outstanding shall be excluded;

(14) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies shall be excluded;

(15) To the extent not already included in Consolidated Net Income of such Person and its Restricted Subsidiaries, the amount of proceeds actually received from business interruption and other liability and/or casualty insurance and reimbursements of any expenses and charges pursuant to indemnification or other reimbursement provisions in connection with any Permitted Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture shall be included; and

(16) (a) the non-cash portion of "straight-line" rent expense shall be excluded and (b) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense shall be included.

"*Consolidated Net Senior Secured Leverage*" means, as of any date of determination, the sum of the total amount of Senior Secured Indebtedness (other than Hedging Obligations) of the Company and its Restricted Subsidiaries on a consolidated basis; *less* the amount of cash and Cash Equivalents and Temporary Cash Investments (other than cash and Cash Equivalents and Temporary Cash Investments received upon the incurrence of Indebtedness by the Company or a Restricted Subsidiary, as applicable, and not immediately or subsequently applied or used for any purpose not prohibited by the Indenture) that would be stated on the balance sheet of the Company or the relevant Restricted Subsidiary, as applicable, as of such date in accordance with GAAP.

"*Consolidated Net Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (a) the Consolidated Net Senior Secured Leverage of the Company on such date to (b) the Consolidated EBITDA of the Company for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Consolidated Net Senior Secured Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Senior Secured Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Senior Secured Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Consolidated Net Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred*

Stock" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*".

In addition, for purposes of calculating the Consolidated EBITDA for such period:

(1) acquisitions, dispositions and operational changes that have been made by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated synergies and expense and cost reductions) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the relevant Calculation Date, will be excluded;

(3) any Person that is a Restricted Subsidiary on the relevant Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period; and

(4) any Person that is not a Restricted Subsidiary on the relevant Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

 (a) for the purchase or payment of any such primary obligation; or

 (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facility*" means, one or more debt facilities, instruments or arrangements incurred (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "*Credit Facilities*" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Preference Shares*" means, with respect to the Company or any Parent Holdco, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain covenants—Restricted payments*".

"*Designated Non-Cash Consideration*" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the six-month anniversary of the date that the Notes mature or (2) provides for, either mandatorily or at the option of the holder of the Capital Stock, the payment of dividends or distributions (other than in the form of Equity Interests that are not Disqualified Stock). Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain covenants—Restricted payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Investors*" means The Carlyle Group CEP III Participations S.à r.l. SICAR, Ms. Simona Barbieri and Mr. Tiziano Sgarbi and their respective Affiliates and any trust, fund, company, partnership or other Person owned, managed, sponsored or advised by The Carlyle Group, Ms. Simona Barbieri or Mr. Tiziano Sgarbi.

"*Equity Offering*" means (x) a sale of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or a Parent Holdco of the Company (other than a sale of Disqualified Stock or Designated Preference Shares or offerings registered on Form S-8 (or any similar form) under the U.S. Security Act or any similar offering in other jurisdiction) or (y) the sale of Capital Stock or other securities by any Person, the net cash proceeds of which are contributed to the Company (other than through an Excluded Contribution or Parent Debt Contribution) in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or as Subordinated Shareholder Debt of the Company.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*European Government Obligations*" means direct obligations of, or obligations guaranteed by, a member state of the European Union, and the payment for which such member state of the European Union pledges its full faith and credit.

"*European Union*" means the members of the European Union, including any member state thereof.

"*Excluded Contributions*" means the net cash proceeds, property or assets received by the Company after the Issue Date from:

(1) contributions to its Equity Interests; and

(2) the sale (other than to a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock) of the Company,

in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under the caption "*—Certain covenants—Restricted payments*" hereof.

"*Fair Market Value*" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress of either party, determined in good faith by the Company's Chief Executive Officer, Chief Financial Officer or a responsible accounting or financial officer of the Company.

"*Fitch*" means Fitch Ratings Limited.

"*Fixed Charge Coverage Ratio*" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same, including the realization of synergies and expense reductions, had occurred at the beginning of the applicable four-quarter reference period; *provided*, *however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions, dispositions and operational changes that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated synergies and expense and cost reductions) as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness).

"*Fixed Charges*" means, with respect to any Person for any period, the sum of:

(1) without duplication, (i) interest payable (whether in cash or capitalized) on Indebtedness of such Person and its Restricted Subsidiaries for such period, excluding any expense associated with Subordinated Shareholder Debt less (ii) interest income for such period; *plus*

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period; *plus*

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; determined on a consolidated basis in accordance with GAAP; *plus*

(4) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which are Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries which are Restricted Subsidiaries, but only to the extent such interest is actually paid by the Person guaranteeing or securing such Indebtedness, or by its Restricted Subsidiaries.

"*GAAP*" means generally accepted accounting principles in the Italy as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in the Indenture, all ratios and calculations based on GAAP contained in the Indenture shall be computed in accordance with GAAP. At any time after the Issue Date, the Company may elect to establish that "GAAP" shall mean GAAP as in effect on or prior to the date of such election; *provided* that any such election, once made, shall be irrevocable. At any time after the Issue Date, the Company may elect to apply IFRS accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in the Indenture), including as to the ability of the Company to make an election pursuant to the previous sentence; *provided* that any such election, once made, shall be irrevocable; *provided, further*, that any calculation or determination in the Indenture that requires the application of GAAP for periods that include fiscal quarters ended prior to the Company's election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

For the purpose of the covenant described under the caption "*—Certain covenants—Reports*", "GAAP" shall mean generally accepted accounting principles in the Italy as in effect from time to time or, if an election has been made pursuant to the previous paragraph to apply IFRS instead of GAAP, shall mean IFRS as in effect from time to time.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means any Subsidiary of the Company that executes a Notes Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Notes Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect from time to time, subject to the definition of "GAAP".

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances, reverse factoring or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;

(6) representing any Hedging Obligations in respect of interest rate or currency hedging; and

(7) the principal component of all obligations, or liquidation preferences, with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such

Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term "*Indebtedness*" shall not include:

(1) Subordinated Shareholder Debt;

(2) any lease of property which would be considered an operating lease under GAAP or any deposit made in relation thereto and any guarantee given by the Company or a Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or a Restricted Subsidiary under any operating lease;

(3) Contingent Obligations in the ordinary course of business;

(4) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;

(5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(6) obligations under or in respect of factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization; or

(7) any liability for Taxes.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amount of funds borrowed and then outstanding under such facility. Any Indebtedness representing Recourse Factoring or Securitzation shall be deemed to be extinguished and no longer outstanding under the Indenture to the extent that the related receivable has been paid or otherwise satisfied or no longer appears as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with GAAP.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent Holdco or any successor of the Company or any Parent Holdco (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement to be dated the Issue Date made between, among others, the Security Agent, the agent for the Revolving Credit Facility, the Trustee and the other parties named therein, as amended, restated or otherwise modified or varied from time to time.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB—" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P and BBB- or better by Fitch (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency).

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with GAAP. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted payments*". The acquisition by the Company or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain covenants—Restricted payments*". Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*IPO Entity*" means the Company or any Parent Holdco that has issued stock on a Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means July 22, 2014.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"*Management Advances*" means loans or advances not exceeding in aggregate outstanding amount €2.0 million, and in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Company or any Restricted Subsidiary: (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €2.0 million in the aggregate outstanding at any time.

"*Management Fees*" means (a) customary annual fees for the performance of monitoring services by any Permitted Holder for the Company or any of its Restricted Subsidiaries; *provided* that such fees will not, in the aggregate, exceed €2.0 million per annum (inclusive of out of pocket expenses); and (b) customary fees and related expenses for the performance of transaction, management, consulting, financial or other advisory services or underwriting, placement or other investment banking activities, including in connection with mergers, acquisitions, dispositions or joint ventures, by any Permitted Holder or any of its Affiliates for the Company or any Restricted Subsidiary, which payments in respect of this clause (b) have been approved by a majority of the disinterested members of the Board of Directors of the Company.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*MO.DA*" means MO.DA Gioielli S.r.l., a minority shareholder of the Company controlled by Ms. Simona Barbieri and Mr. Tiziano Sgarbi.

"*Moody's*" means Moody's Investors Service, Inc.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Cash Proceeds*", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Debt, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing agreements).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of (i) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (ii) taxes paid or payable as a result of the Asset Sale, (iii) all distributions and other payments required to be made to minority interest holders (other than the Company or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, (iv) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with GAAP, and (v) all payments made on any Indebtedness incurred pursuant to clause (4) of the definition of Permitted Debt secured by any assets subject to such Asset Sale, as required in accordance with the terms of any Lien upon such assets, or which by applicable law is required be repaid out of the proceeds from such Asset Sale.

"*Net Profit*" means, with respect to any Person, the net profit/(loss) after tax of such Person, determined in accordance with GAAP and before any reduction in respect of dividends on Preferred Stock.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Notes*" means the €150.0 million aggregate principal amount of floating rate notes due 2019 issued on the Issue Date and any Additional Notes.

"*Notes Guarantee*" means the guarantee by each Guarantor of the Company's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means this offering memorandum relating to the sale of the Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, director or a responsible accounting or financial officer of such Person or any other Person designated as such by the Board of Directors.

"*Officer's Certificate*" means a certificate signed by an Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel satisfactory to the Trustee; such counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent Debt Contribution*" means a contribution to the equity of the Company or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (19) of the second paragraph under "*—Certain covenants—Restricted payments*".

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) incurred by any Parent Holdco in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent Holdco in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent Holdco in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Holdco related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent Holdco, (c) any taxes and other fees and expenses required to maintain such Parent Holdco's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent Holdco and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent Holdco;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries or any Parent Holdco or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Debt of the Company, in an amount not to exceed €500,000 in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; and

(8) expenses Incurred by any Parent Holdco in connection with any public offering or other sale of Capital Stock or Indebtedness:

   (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary;

   (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

   (c) otherwise on an interim basis prior to completion of such offering so long as any Parent Holdco shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Holdco*" means any Person of which the Company at any time is or becomes a Subsidiary, including but not limited to New Holdco, and any holding companies established by any Permitted Holder for purposes of holding its investment in the Company or any Parent Holdco.

"*Permitted Business*" means (1) any businesses in the care or healthcare industry, services or activities engaged in by the Company or any of its Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Company or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral to secure the Notes (or any Notes Guarantees) (other than Additional Notes or guarantees in respect thereof) and any Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of Permitted Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such Permitted Refinancing Indebtedness secures the Notes or any Notes Guarantees on a senior or *pari passu* basis;

(2) Liens on the Collateral to secure (i) Indebtedness under Credit Facilities that is permitted by clause (1) of the definition of Permitted Debt, (ii) Senior Secured Indebtedness permitted by the first paragraph of the covenant entitled "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and (iii) Indebtedness that would be permitted by clause (13) of the definition of Permitted Debt and that is incurred by the Company or a Guarantor (*provided* that in the case of this clause (iii), at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred the Company would have been able to incur €1.00 of additional Senior Secured Indebtedness pursuant to the first paragraph of the covenant entitled "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" after giving effect to the incurrence of such Indebtedness, calculated on a *pro forma* basis); *provided* that, in each case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or any Notes Guarantees (which security, when securing Indebtedness that is incurred pursuant to clause (1) of the definition of Permitted Debt and which is not reclassified may rank senior to the Liens securing the Notes with respect to distributions of proceeds of any enforcement of Collateral); *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) Liens on the Collateral securing Hedging Obligations (other than Hedging Obligations in respect of commodity prices) permitted by clause (8) of the definition of Permitted Debt to the extent such Hedging Obligations related to Indebtedness referred to in clauses (1) or (2) above or clause (5) below and any Permitted Refinancing Indebtedness in respect thereof (and any Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness) and such Indebtedness is also secured by the Collateral, *provided* that the property and assets (including, without limitation, the Collateral) securing such Indebtedness or Hedging Obligations will also secure the Notes or any Notes Guarantees (which security in favor of the Notes may rank junior to that securing such Hedging Obligations with respect to distributions of proceeds of any enforcement of Collateral, *provided further* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) Liens on the Collateral that are fixed charges incurred to secure Indebtedness permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;

(5) Liens on the Collateral to secure Indebtedness of the Company or any Guarantor permitted by (i) clause (17) of the definition of Permitted Debt and (ii) clause (19) of the definition of Permitted Debt and Permitted Refinancing Indebtedness in respect thereof (and Permitted Refinancing Indebtedness in respect of such Permitted Refinancing Indebtedness; *provided* that all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes or any Notes Guarantees; *provided further* that each of

the parties thereto or their representative will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;

(6) Liens that are junior to the Liens securing the Notes; *provided further* that each of the parties thereto or their representative will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and

(7) Liens on the Collateral described in one or more of clauses (3), (7), (8), (9), (12), (13), (14), (15), (16), (17), (18), (19), (20), (21), (22), (23), (24), (25), (26) and (27) of the definition of "Permitted Liens".

"*Permitted Holders*" means the Equity Investors and their Affiliates and Related Parties and any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (including any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Equity Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the voting Stock of the Company or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

  (a) such Person becomes a Restricted Subsidiary; or

  (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "*—Repurchase at the option of holders—Asset sales*";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or Subordinated Shareholder Debt;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes;

(7) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(8) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant entitled "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*";

(9) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(10) any guarantee of Indebtedness permitted to be incurred by the covenant described above under the caption "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*";

(11) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date by the Company or any Restricted Subsidiary of the Company and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(12) Investments acquired after the Issue Date as a result of the acquisition by the Company or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain covenants—Merger, consolidation or sale of assets*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(13) Management Advances;

(14) any Investment to the extent made using as consideration Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Holdco);

(15) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Liens*"; and

(16) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding not to exceed the greater of €12.5 million and 3.1% of the Company's Total Assets; *provided* that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain covenants—Restricted payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of the definition of "Permitted Investments" and not this clause.

"*Permitted Liens*" means:

(1) (a) Liens in favor of the Company or any Restricted Subsidiary or (b) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or Liens securing Indebtedness in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided* that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord's liens and liens over cash security deposits and similar arrangements), performance or other bonds, guarantees, surety and appeal bonds or other obligations of a like nature incurred in the ordinary course of business (including Liens to secure letters of credit issued to assure payment of such obligations);

(4) Liens to secure Indebtedness permitted by clause (4) of the second paragraph of the covenant entitled "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" covering only the assets acquired with or financed by such Indebtedness;

(5) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph of the covenant described above under the caption "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*";

(6) Liens existing on the Issue Date;

(7) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith by appropriate proceedings;

(8) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, in each case, incurred in the ordinary course of business;

(9) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(10) Liens created for the benefit of (or to secure) the Notes (or the Notes Guarantees);

(11) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided*, *however*, that:

  (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and

  (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under other applicable laws) in connection with operating leases in the ordinary course of business;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(23) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(24) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) Liens over cash paid into an escrow account to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Company or any Restricted Subsidiary; and (c) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement or deferred consideration in connection with the acquisition by the Company or any Restricted Subsidiary;

(25) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(26) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(27) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(28) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(29) Liens on cash accounts securing Indebtedness incurred under clauses (11), (15) and (20) of the second paragraph of the covenant described under "*—Certain Covenants—Incurrence of indebtedness and issuance of Preferred Stock*" with local financial institutions; and

(30) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary securing Indebtedness of the Company and its Restricted Subsidiaries that does not exceed €5.0 million at any one time outstanding.

"*Permitted Parent Payments*" means, without duplication as to amounts, payments to any Parent Holdco of the Company to permit such entity to pay:

(1) customary indemnification obligations of any Parent Holdco owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(2) obligations of any Parent Holdco in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Company and its Subsidiaries;

(3) professional fees and expenses of any Parent Holdco related to the ownership of the Capital Stock of the Company and, indirectly through the Company, its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent Holdco's corporate existence or its holding of the Capital Stock of the Company); and

(4) expenses incurred by any Parent Holdco in connection with any public offering or other sale of Capital Stock or Indebtedness, whether consummated or not, (i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Subsidiary of the Company; or (ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; and

(5) any Related Taxes.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness (other than any proceeds loan)); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is expressly, contractually subordinated in right of payment to the Notes or the Notes Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Notes Guarantees, as the case may be, on terms at least as favourable to the holders of Notes or the Notes Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged;

provided, *however*, that Permitted Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and *provided, further*, that the provisions of clause (3) above would not operate to preclude the refinancing of Indebtedness with Indebtedness that is secured with a super priority status (or other preferential security status) if such security is otherwise permitted pursuant to the indenture.

Permitted Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Permitted Reorganization*" means a reorganization transaction comprising the incorporation of New Holdco and the transfer of the Capital Stock of the Company held by certain or all of the Permitted Holders to New Holdco which complies with the requirements of the covenant described under "—*Certain Covenants—Permitted Reorganization*".

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Preferred Stock*" means any Equity Interests with preferential right of payment of dividends or upon liquidation, dissolution or winding up.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Public Market*" means any time after:

(1) a Public Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Company (or a Parent Holdco of the Company) has been distributed to investors other than the Equity Investors or any other direct or indirect shareholders of the Company as of the Issue Date.

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company and its Restricted Subsidiaries,

(2) all sales of accounts receivable and related assets by the Company or any Restricted Subsidiary to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Company), and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure any Credit Facility shall not be deemed a Qualified Receivables Financing.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Company or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defence, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Restricted Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Company or any other Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Company or any other Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Company or any other Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Company nor any other Subsidiary of the Company has any material contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favourable to the Company or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, and

(3) to which neither the Company nor any other Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Recourse Factoring or Securitization*" means any transaction or series of transactions involving the sale, assignment, discount of receivables of the Company or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Company or any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); *provided* that, for the avoidance of doubt, any non-recourse "*pro soluto*" factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Company or any of its Restricted Subsidiaries pursuant to GAAP shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"*Related Parties*" with respect to any Permitted Holder, means:

(1) any controlling stockholder, or any 50% (or more) owned Subsidiary, or immediate family member (in the case of an individual), of any Equity Investor; or

(2) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a 50% or more controlling interest of which consist of any one or more Equity Investors and/or such other Persons referred to in the immediately preceding clause; or

(3) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means:

any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent Holdco), required to be paid (*provided* such Taxes are in fact paid) by any Parent Holdco by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Debt;

(c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Company is permitted to make payments to any Parent Holdco pursuant to "*—Certain covenants—Restricted payments*".

"*Replacement Assets*" means non current properties and assets that replace the properties and assets that were the subject of an Asset Sale or non current properties and assets that will be used in the Company's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any member of senior management of the Company are reasonably related; *provided* that the Fair Market Value of the assets received by the Company and its Restricted Subsidiaries is substantially equivalent to the Fair Market Value of the assets exchanged by the Company and its Restricted Subsidiaries.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means that certain senior revolving credit facility agreement, dated on the Issue Date, by and among the Company, the senior lenders named therein, UniCredit Bank AG, Milan Branch as security agent, and UniCredit Bank AG, as facility agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities or otherwise) in whole or in part from time to time.

"*S&P*" means Standard & Poor's Ratings Group.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Agent*" means UniCredit Bank AG, Milan Branch, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

"*Security Documents*" means any security documents and other instruments and documents executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time and pursuant to which the Collateral is pledged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes and the Trustee or notice of such pledge, assignment or grant is given.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a Lien on the Collateral and not contractually subordinated to obligations under the Notes or Notes Guarantees or (b) that is incurred by a Restricted Subsidiary that is not a Guarantor and that in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" or clauses (1), (3), (4), (13), (17), (19) to the extent of the second paragraph of the covenant described under "*—Certain covenants—Incurrence of indebtedness and issuance of Preferred Stock*" (in the case of clause (3), to the extent such Indebtedness constitutes Indebtedness under the Notes (excluding Additional Notes)), any Notes Guarantees and any Permitted Refinancing Indebtedness in respect of the foregoing.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of the consolidated revenue of the Company or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that giving *pro forma* effect thereto, the Consolidated Leverage Ratio of the Company and its Restricted Subsidiaries would have been less than 2.5 to 1.0.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any of its Restricted Subsidiaries which are reasonably customary in securitization of Receivables Financings.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, Indebtedness which is expressly subordinated in right of payment to the Notes or the Notes Guarantees pursuant to a written agreement.

"*Subordinated Shareholder Debt*" means, collectively, the Subordinated Shareholder Loan and any debt provided to the Company by any direct or indirect Parent Holdco of the Company or any Permitted Holder, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; *provided* that such Subordinated Shareholder Debt:

(1) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Equity Interests of the Company (other than Disqualified Stock) or for any other security or instrument meeting the requirements of the definition);

(2) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;

(3) does not (including upon the happening of any event) provide for the acceleration of its maturity nor confers on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;

(4) is not secured by a Lien on any assets of the Company or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Company;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Company at least to the same extent as the Subordinated Liabilities (as defined in the Intercreditor Agreement) are subordinated to the Notes under the Intercreditor Agreement; or

(6) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock) of the Company,

provided, *however*, that any event or circumstance that results in such Indebtedness (including the Subordinated Shareholder Loan) ceasing to qualify as Subordinated Shareholder Debt, such Indebtedness shall constitute an incurrence of such Indebtedness by the Company, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"*Subordinated Shareholder Loan*" means the vendor loan from MO.DA, as lender, to the Company, as borrower.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any person, means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "*beneficially own*" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act (as in effect on the Issue Date).

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent Holdco or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and the terms of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-3" (or higher) according to Moody's or "A-3" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means, with respect to any specified Person as of any date, the total assets of such Person, calculated on a consolidated basis in accordance with GAAP, excluding all intra-group items and investments in any Subsidiaries of such Person of or by such Person or any of its Restricted Subsidiaries, and excluding the impact of goodwill amortization.

"*Transactions*" means the incurrence of Indebtedness, the refinancing and the use of proceeds as set forth under "*Use of proceeds*".

"*Unrestricted Subsidiary*" means any Subsidiary of the Company (other than the Company or any successor to the Company) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "*—Certain covenants—Transactions with affiliates*", is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; and

(3) is a Person with respect to which neither the Company nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amounts of such Indebtedness.

Book-entry, delivery and form

GENERAL

Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (the "**Rule 144A Book Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book Entry Interests will not be issued in definitive form.

Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book Entry Interests. In addition, while the Notes are in global form, holders of Book Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

None of the Issuer, the Trustee, the Registar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent or the Paying Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book Entry Interests.

DEFINITIVE REGISTERED NOTES

Under the terms of the Indenture, owners of the Book Entry Interests will receive Definitive Registered Notes (as defined below):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default (as defined in the Indenture) and commencement of enforcement action under the Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Registrar, the Calculation Agent, the Transfer Agent, the Luxembourg Listing Agent and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes. However, owners of the Book Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

REDEMPTION OF THE GLOBAL NOTES

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book Entry Interest of less than €100,000 principal amount may be redeemed in part.

PAYMENTS ON GLOBAL NOTES

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent for onward payment to the common depositary or its nominee for Euroclear and Clearstream. The common depositary will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional amounts*". If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional amounts*," the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Calculation Agent, the Transfer Agent and the Paying Agent will treat the registered holders of the Global Notes (i.e., the common depositary for Euroclear or Clearstream (or its nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent, the Paying Agent, or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

CURRENCY OF PAYMENT FOR THE GLOBAL NOTES

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

ACTION BY OWNERS OF BOOK ENTRY INTERESTS

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default (as defined in the Indenture) under the Notes, Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

TRANSFERS

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth under "*Notice to investors*". Book Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Notice to investors*".

Transfers of Rule 144A Book Entry Interests to persons wishing to take delivery of Rule 144A Book Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "Notice to Investors" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book Entry Interest for a Rule 144A Book Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and exchange*" and, if required, only if the transferor first delivers to the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to investors*".

Any Book Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book Entry Interest in any other Global Note will, upon transfer, cease to be a Book Entry Interest in the first mentioned Global Note and become a Book Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book Entry Interests in such other Global Note for as long as it remains such a Book Entry Interest.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

All Book Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. None of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent, the Paying Agent, or the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Global Notes only through Euroclear or Clearstream participants.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK ENTRY SYSTEM

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange and are also expected to be listed on the Extra MOT, Professional Segment, of Borsa Italiana S.p.A. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Luxembourg Listing Agent, the Calculation Agent, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

INITIAL SETTLEMENT

Initial settlement for the Notes will be made in euro. Book Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

SECONDARY MARKET TRADING

The Book Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Tax considerations

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to EU, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), the competent authority of a Member State is required to provide to the competent authority of another Member State details of payments of interest (and similar income) paid by a person within its jurisdiction to, or for the benefit of, an individual resident or certain limited types of entity established in that other Member State.

For a transitional period, however, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). However, during that transitional period, withholding will not apply under the EU Savings Directive to a payment if the beneficial owner of that payment authorizes exchange of information instead. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from January 1, 2015, in favour of automatic information exchange under the EU Savings Directive.

On March 24, 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by January 1, 2016 (which national legislation must apply from January 1, 2017).

On May 14, 2013 the Council of the European Union gave a mandate to the EU Commission to negotiate amended savings tax agreements with Switzerland, Liechtenstein, Monaco and San Marino to ensure that these four countries continue to apply measures that are equivalent to the EU Savings Directive, as amended. In March 2014, the Council of the European Union confirmed this mandate and asked the EU Commission to continue the negotiations with a view to concluding them until the end of year 2014.

CERTAIN ITALIAN TAX CONSIDERATIONS

The statements herein regarding Italian taxation are based on the laws in force in the Republic of Italy and on published practices of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following is a summary of certain material Italian tax consequences of the purchase, ownership, redemption and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. This summary also assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Offering Memorandum. Changes in the Issuer's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. This summary also assumes that the Notes are listed from their issue and traded on a regulated market or on a multi-lateral trading platform of EU Member States or EEA Member States which allow a satisfactory exchange of information with Italy, as listed in the Italian Decree of the Minister of Finance of September 4, 1996, as amended and to be replaced by an Italian Decree to be enacted according to the provision set forth by Article 168-*bis* of Decree No. 917. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian law. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

Tax treatment of interest

Italian Legislative Decree No. 239 of April 1, 1996, as subsequently amended ("**Decree 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") deriving from Notes falling within the category of bonds (*obbligazioni*) and similar securities (*titoli similari alle obbligazioni*), pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented ("**Decree 917**"), issued, *inter alia*, by:

- Italian resident companies whose shares are listed on a regulated market or on a multi-lateral trading platform of EU Member States or EEA Member States which allow a satisfactory exchange of information with Italy, included in the list to be prepared by the MEF through a special Italian Decree pursuant to Article 168-*bis* of Decree 917; or
- Italian resident companies whose shares are not listed, issuing Notes traded on the aforementioned regulated markets or multi-lateral trading platforms.

For this purpose, pursuant to Article 44 of Decree 917, bonds or debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of the Issuer.

Italian Law Decree No. 91 of June 24, 2014 ("**Decree No. 91**") provides that Decree No. 239 is applicable also to non-listed notes issued by a non-listed Italian company, held by "qualified investors" ("*investitori qualificati*" as defined by Article 100 of Italian Legislative Decree No. 58 of February 24, 1998). Decree No. 91, which is currently in force, must be converted into a law within sixty days of June 24, 2014, and may be amended before such conversion into law.

Italian resident noteholders

<u>Noteholders not engaged in an entrepreneurial activity</u>

Where an Italian resident beneficial owner of the Notes (a "**Noteholder**") is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime provided for by Article 7 of Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree 461**"));

- a non-commercial partnership (*società semplice*);
- a non-commercial private or public institution; or
- an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and paid during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 percent (increased from 20 percent from July 1, 2014).

An Italian resident individual Noteholder not engaged in an entrepreneurial activity who has opted for the so-called *risparmio gestito* is subject to a 26 percent (increased from 20 percent from July 1, 2014) annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest, accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorized intermediary. For more information, see also "*—Tax Treatment of Capital Gains*".

Noteholders engaged in an entrepreneurial activity

In the event that the Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Where an Italian resident Noteholder is an individual entrepreneur holding Notes in connection with the entrepreneurial activity (please see specific reference below), a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation and, in certain circumstances, depending on the "status" of the Noteholder, also to the Italian regional tax on productive activities ("**IRAP**"). In case the Notes are held by an individual engaged in an entrepreneurial activity and are effectively connected with the same entrepreneurial activity, Interest will be subject to *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostituiva* may be recovered as a deduction from the income tax due.

Real estate investment funds

'Under the current regime provided by Italian Law Decree September 25, 2001, No. 351 ("**Decree 351**"), as clarified by the Italian Revenue Agency through the Circular dated 8 August 2003, No. 47/E and Circular No. 11/E of 28 March 2012, payments of Interest deriving from the Notes made to Italian resident real estate collective investment funds established pursuant to Article 37 of the Italian Legislative Decree of January 25, 1994, n. 58 or pursuant to Article 14-bis of Law No. 86 of January 25, 1994, are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Funds and SICAV

Where an Italian resident Noteholder is an open-ended or a closed-ended collective investment fund (a "**Fund**") or a *Società di Investimento a Capitale Variabil*e ("**SICAV**") established in Italy and either (i) the Fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or the SICAV. The Fund or the SICAV will not be subject to taxation on such results, but a substitute tax at a rate of 26 percent (increased from 20 percent from July 1, 2014) will instead apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Pension funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree of December 5, 2005, No. 252) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, which will be subject to an 11.5 percent substitute tax (increased from 11 percent from 2014).

Enforcement of imposta sostitutiva

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIM**"), fiduciary companies, *società di gestione del Risparmio* ("**SGR**"), stockbrokers and other entities identified by an Italian Decree of the Ministry of Finance (each, an "Intermediary").

An Intermediary must:

- be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and
- intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Noteholder.

Non-Italian resident noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian Noteholder is:

- resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**Approved States**"), as listed (i) in the Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or (ii) as of the tax year following the period in which the decree pursuant to article 168-bis of Decree 917 is published, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1, of Decree 917;
- an international body or entity set up in accordance with international agreements which have entered into force in Italy;
- an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or
- a central bank or an entity which manages, inter alia, the official reserves of a foreign State. In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and must:
    - deposit, directly or indirectly, the Notes with (i) an Italian resident bank or a SIM, or a permanent establishment in Italy of a non-Italian resident financial intermediary or (ii) with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and
    - file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder (*auto-certificazione*), which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not required for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by the Italian Ministerial Decree of December 12, 2001.

Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of imposta sostitutiva on Interest, payments to a non-resident Noteholder.

The *imposta sostitutiva* will be applicable at the rate of 26 percent (increased from 20 percent from July 1,2014, or at the reduced rate provided for by the applicable double tax treaty, if any) to Interest, paid to Noteholders who are (i) resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy or (ii) otherwise not eligible for the exemption from *imposta sostitutiva*.

Payments made by an Italian resident guarantor

If any future Italian resident guarantor makes any payments in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax at the applicable rate, subject to such relief as may be available under the provisions of any applicable double taxation treaty.

Tax treatment of capital gains

Italian resident noteholders

Noteholders not engaged in an entrepreneurial activity

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to the *imposta sostitutiva*, levied at the rate of 26 percent (increased from 20 percent from 1 July 2014). Noteholders may set off any capital losses with their capital gains subject to certain condition. In respect of the application of *imposta sostitutiva*, taxpayers may opt for any of the three regimes described below.

Tax declaration regime

Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same nature, in their annual tax return and pay the *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years.

Risparmio amministrato regime

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

- the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediary (including permanent establishment in Italy of foreign intermediaries); and
- an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the *imposta sostitutiva* to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Risparmio gestito regime

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26 percent (increased from 20 percent from July 1, 2014) substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains realized in its annual tax return.

Noteholders engaged in an entrepreneurial activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Real estate investment funds

Any capital gains realized by a Noteholder which is an Italian real estate investment fund to which the provisions of Decree 351 as subsequently amended apply will be subject neither to imposta sostitutiva nor to any other income tax at the level of the real estate investment fund.

Funds and SICAV

Any capital gains realized by a Noteholder who is an Italian Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed with the Fund or the SICAV, but subsequent distributions in favour of unithholders or shareholders may be subject to a substitute tax of 26 percent (increased from 20 percent from July 1, 2014).

Pension funds

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree of December 5, 2005, n. 252) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to an 11.5 percent substitute tax (increased from 11 percent from 2014).

Non-Italian resident noteholders

Capital gains realized by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Tax monitoring

Pursuant to Italian Law Decree No. 167 of June 28, 1990, converted by Italian Law No. 227 of August 4, 1990, as amended ("**Decree 167**"), individuals, non-commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes held abroad and/or Notes issued by a non-Italian resident Issuer) must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist (i) where the overall value of deposits and current accounts held abroad at any time during the fiscal year does not exceed €10,000, as well as (ii) in case the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer. provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

Italian inheritance tax and gift tax

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- 4 percent on the value of the inheritance or the gift for transfers in favour of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;
- 6 percent on the value of the inheritance or the gift for transfers in favour of brothers/sisters exceeding, for each beneficiary, a threshold of €0.1 million;
- 6 percent. on the value of the inheritance or the gift for transfers in favour of relatives (*parenti*) up to the fourth degree and to all relatives in law in direct line (*affini in linea retta*) and to other relatives in law (*affini in linea collaterale*) up to the third degree; and
- 8 percent on the value of the inheritance or the gift for transfers in favour of any other person or entity.

If the heir/heiress and/or the donee is a person with a severe disability pursuant to Italian Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Wealth tax

According to Article 19(18) of Italian Decree of December 6, 2011, No. 201 ("**Decree 201**"), Italian resident individuals holding financial assets—including the Notes—outside Italy are required to pay a wealth tax at the rate of 0.20 percent.(the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value of the Notes at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value of such financial assets held outside Italy. Taxpayers are permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Stamp duty

According to Article 19(1) of Decree 201, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such Italian resident financial intermediary. The stamp duty applies on a yearly basis at the rate of 0.20 percent. calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot exceed €14,000 for taxpayers different from individuals. Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows:

- public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to a fixed registration tax of €200.00, and
- private deeds (*scritture private non autenticate*) are subject to a fixed registration tax of €200.00 as of January 1, 2014 only in case of use or voluntary registration or if the so-called "*caso d'uso*" or "*enunciazione*" occurs.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for the discussions below under "*—Foreign Account Tax Compliance*", and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws. This discussion is based upon the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change at any time, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS or a court will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes than those discussed herein or that any such position would not be sustained in the event of litigation.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

The summary of certain U.S. federal income tax considerations set forth below is for general information purposes only. Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of stated interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be included in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (determined based on the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. Under applicable Treasury regulations, the "spot rate" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a spot contract involving representative amounts. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. An accrual-basis U.S. holder may determine the amount of income recognized with respect to an interest denominated in euro in accordance with either of two methods. Under the first method, the U.S. dollar value of such euro denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year.

An accrual basis U.S. holder may elect under the second method, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder, and may not be changed without the consent of the IRS.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Original issue discount

The Notes will be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. Accordingly, U.S. holders generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of OID includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note ("**accrued OID**"). A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period.

OID on the Notes will be determined for any accrual period in euros and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third and fourth paragraphs under "*—Payments of stated interest*".

A U.S. holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the sale of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the euro payment received, determined based on the spot rate on the date such payment is received, and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payments of stated interest payable on the Note; second, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal.

Foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign tax credit

Stated interest income and OID, on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. The rules governing the calculation of foreign tax credits are complex and depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, exchange, retirement, redemption or other taxable disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate on the date of disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

A U.S. holder's adjusted tax basis in a Note will, in general, be the amount paid for such Note by such U.S. holder, increased by previously accrued OID. If a U.S. holder uses foreign currency to purchase a Note, the amount paid for the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate on the date of purchase.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency gain or loss, generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will be treated as U.S. source income or as an offset to U.S. source income, respectively, and will generally be treated as ordinary income or loss and generally will not be treated as interest income or expense. For these purposes, the principal amount of a Note is the U.S. holder's foreign currency purchase price of the Note. Gain or loss attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note generally will equal the difference, if any, between (i) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. holder disposes of the Note and (ii) the U.S. dollar value of the principal amount of the Note, determined at the spot rate on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest and accrued OID, which will be treated as discussed above under "*—Payment of stated interest*" or "*—Original issue discount*", as applicable. However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to principal, accrued interest and accrued OID) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have OID (or a greater amount of OID) which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Exchange of foreign currencies

A U.S. holder will have a tax basis in any euros received as stated interest or upon the sale, exchange, redemption, retirement or other taxable disposition of a Note equal to the U.S. dollar value thereof at the spot rate of exchange in effect on the date of receipt of the euros. Any gain or loss realized by a U.S. holder on a sale or other disposition of euros, including their exchange for U.S. dollars, will be ordinary income or loss generally not treated as interest income or expense and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Information reporting and backup withholding

In general, information reporting requirements will apply to payments of principal and stated interest (including the accrual of OID) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide an accurate taxpayer identification number or a certification that it is not subject to backup withholding or otherwise fails to comply with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

Tax return disclosure requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals (and, under proposed Treasury regulations, certain entities) that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the tax year or more than $75,000 at any time during the tax year (or such larger values as specified in such legislation), generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at a U.S. financial institution (in which case the account may be reportable if it is maintained by a foreign financial institution).

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign account tax compliance

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on payments of "foreign passthru payments" made on certain debt instruments and the gross proceeds from the disposition of such debt instruments. However, the application of these rules is not clear. For this purpose, an entity may be treated as a "financial institution" if it is a holding company formed in connection with or availed of by a private equity fund or other similar investment vehicle established with an investment strategy of investing, reinvesting, or trading in financial assets. Even if the Issuer were treated as a foreign financial institution, debt instruments issued by it on or prior to the date that is six months after the date on which applicable final Treasury regulations are filed, generally would be "grandfathered" from FATCA unless "materially modified" (for U.S. federal income tax purposes) after such date. No such regulations have been issued yet. Accordingly, even if the withholding under FATCA were otherwise potentially applicable to payments on or with respect to the Notes, such withholding will not apply to those payments under the grandfathering rules, unless the Notes were materially modified after the applicable date. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes issued hereby, as subject to withholding under FATCA. Italy has entered into an intergovernmental agreement (an "**IGA**") with the United States to implement FATCA. The IGA and future guidance implementing the IGA may alter the rules described herein. Holders should consult their own tax advisors on the potential impact of FATCA, the Italian IGA and any non-U.S. legislation implementing FATCA, on their investment in the Notes. In the event any withholding under FATCA is required or advisable with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement dated July 15, 2014 (the "**Purchase Agreement**"), by and among the Issuer and UBS Limited, as representative of the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, Notes in certain principal amounts.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by our and their counsel. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 45 days after the date the Notes are issued, it will not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued by the Issuer that are substantially similar to the Notes.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes have not been and will not be registered under the U.S. Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the offering of the Notes may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

While the Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law, the Initial Purchasers are not obligated to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the offering of the Notes, UBS Limited (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Stabilizing Manager's registered office is 11 Finsbury Avenue, London, EC2M 2PP, United Kingdom.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the U.S. Securities and Exchange Commission.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the section entitled "*Notice to investors*" and "*Notice to certain European investors*".

The Issuer has agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on the date specified as the Issue Date of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "T+5"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own adviser.

The Initial Purchasers and/or their respective affiliates have engaged, and may in the future engage, in investment banking, commercial banking transactions and/or other commercial dealings with, and may perform services to, us and our affiliates, in the ordinary course of business. In addition, in the ordinary course of their business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our securities and/or instruments or those of our affiliates. The Initial Purchasers and/or their respective affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and/or their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. They have received, and expect to receive, customary fees and commissions for these transactions. Furthermore, certain of the Initial Purchasers, or certain of their affiliates, have made significant financing to the Issuer including the Capital Expenditure Line and Term Loan A. A portion of the proceeds from the Offering will be used to repay outstanding amounts of the Issuer's existing debt arising from such credit lines. See "*Use of Proceeds*".

Notice to investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

UNITED STATES

The Notes have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction, and, unless so registered, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and the applicable securities laws of any other jurisdiction. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers", commonly referred to as "QIBs", in compliance with Rule 144A under the U.S. Securities Act; and
- in offers and sales that occur outside the United States in accordance with Regulation S under the U.S. Securities Act.

The Issuer uses the terms "offshore transaction" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed by your acceptance thereof to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A under the U.S. Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act and any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are not the Issuer's "**affiliate**" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on its behalf and you are either:

  (a) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

  (b) you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that none of the Issuer or the Initial Purchasers or any person representing any of them has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You are purchasing these Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act.

(5) In the case of any Rule 144A Notes, you agree on your own behalf and on behalf of any investor account for which you are purchasing the Rule 144A Notes, and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws, and any applicable local laws and regulations, and further subject to our and the Trustee's rights prior to any such offer, sale or transfer (a) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them, (b) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee, and (c) agrees that it will give to each person to whom this Note is transferred a notice substantially to the effect of this legend. As used herein, the terms "Offshore Transaction" and "United States" have the meanings given to them by Regulation S under the U.S. Securities Act. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED NOTES THAT ANY OFFER, SALE OR TRANSFER OF THIS NOTE IN THE CASE OF RULE 144A NOTES: PRIOR TO THE DATE (THE RESALE RESTRICTION TERMINATION DATE) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) MUST BE MADE ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES IN OFFSHORE TRANSACTIONS IN

ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

THE FAILURE TO PROVIDE THE COMPANY, THE TRUSTEE AND ANY PAYING AGENT WITH THE APPLICABLE U.S. FEDERAL INCOME TAX CERTIFICATIONS (GENERALLY, A U.S. INTERNAL REVENUE SERVICE FORM W-9 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE OR AN APPLICABLE U.S. INTERNAL REVENUE SERVICE FORM W-8 (OR SUCCESSOR APPLICABLE FORM) IN THE CASE OF A PERSON THAT IS NOT A "UNITED STATES PERSON" WITHIN THE MEANING OF SECTION 7701(A)(30) OF THE CODE) MAY RESULT IN U.S. FEDERAL WITHHOLDING FROM PAYMENTS TO THE HOLDER IN RESPECT OF THE NOTES REPRESENTED BY THIS CERTIFICATE."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(7) You acknowledge that:

  (a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

  (b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

    (i) you have sole investment discretion; and

    (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements on behalf of such investor account.

(8) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(9) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of distribution*."

EUROPEAN ECONOMIC AREA

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Relevant Member State, the offer to the public of any Notes which is the subject of this Offering contemplated by this Offering Memorandum is not being made and will not be made in that Relevant Member State, other than:

- to any legal entity which is a “qualified investor” as defined under the Prospective Directive (which refers to the definition of professional investors set forth in Directive 2004/39/EC (the Markets in Financial Instruments Directive); and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, *provided* that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

UNITED KINGDOM

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to “qualified investors” as defined in the Prospectus Directive, and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

ITALY

No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Italian Financial Act. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons or to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Issuers Regulation issued by CONSOB or unless in circumstances which are exempt from the rules on public offers pursuant to the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither this Offering Memorandum, and no other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of this Offering Memorandum or any other material relating to the Notes in Italy is made as follows: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Italian Legislative Decree No 385 of September 1, 1993 as amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007 as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

GRAND DUCHY OF LUXEMBOURG

This Offering Memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* for purposes of public offering or sale in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Grand Duchy of Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which are not subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

Legal matters

The validity of the Notes and certain other legal matters are being passed upon for the Issuer by Latham & Watkins LLP with respect to matters of U.S. federal, New York and Italian law, and by K Studio Associato with respect to matters of Italian taxation law. Certain legal matters will be passed upon for the Initial Purchasers by Kirkland & Ellis International LLP with respect to matters of U.S. federal and New York state law, Gattai, Minoli & Partners with respect to Italian law and Clifford Chance with respect to matters of Italian taxation law.

Independent auditors

The consolidated financial statements of the Issuer and its subsidiaries as of and for the three years ended December 31, 2013, included in this Offering Memorandum, have been prepared in accordance with Italian GAAP and have been audited by Deloitte & Touche S.p.A. whose independent auditors' report appears elsewhere herein.

Where you can find additional information

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. Any such request should be directed to the Issuer at ir@twinset.it.

Upon request, the Issuer will provide you with copies of the Indenture and the form of the Notes. You may request copies of such document by contacting Investor Relations of the Issuer at ir@twinset.it.

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Reports*".

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Luxembourg Stock Exchange.

Service of process and enforcement of civil liabilities

The Issuer is a joint stock company (*società per azioni* or *S.p.A.*) organized under the laws of the Republic of Italy.

SERVICE OF PROCESS

None of the directors, officers and other executives of the Issuer are residents or citizens of the United States. Furthermore, significantly all of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Italy upon those persons or the Issuer *provided that* The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

ENFORCEMENT OF JUDGMENTS IN ITALY

The Notes offered hereby are governed by New York law. However, the Issuer's creation and issuance of the Notes (i.e. its corporate resolutions) is governed by Italian law.

We has been advised by Latham & Watkins LLP, our Italian counsel, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, *provided that* pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, we have also been advised by our Italian counsel, Latham & Watkins LLP, that if an original action is brought before an Italian court, the court may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

Limitations on validity and enforceability of the security interests and certain insolvency law considerations

The following is a summary of certain limitations on the validity and enforceability of the security interests and a summary of certain insolvency law considerations in Italy, the jurisdiction where the Issuer is organized. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

EUROPEAN UNION

The Issuer is organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings, as amended (the "**EU Insolvency Regulation**"), which applies within the European Union, other than Denmark, the courts of the Member State in which a company's "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties." The courts have taken into consideration a number of factors in determining the "centre of main interests" of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established. A company's "centre of main interests" may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency petition.

The EU Insolvency Regulation applies to insolvency proceedings which are collective insolvency proceedings of the types referred to in Annex A to the EU Insolvency Regulation. If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined to mean a place of operations where the company carries on non-transitory economic activity with human means and goods. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its centre of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding up proceedings" listed in Annex B of the EU Insolvency Regulation. Where main proceedings in the Member State in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings which will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State which has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets

ITALY

Limitation on granting of security interests and on enforcement under Italian law

The Collateral is governed by Italian law and consists of a first-ranking pledge over the shares of the Issuer and certain intellectual property rights of the Issuer and a pledge of the receivables in respect of the Subordinated Shareholder Loan.

The secured creditors under the Collateral are the holders of the Notes from time to time and The Law Debenture Trust Corporation p.l.c. (in its capacity as the Trustee of the Notes).

It must be noted that a secured creditor (this being a creditor whose credit repayment is secured by a pledge or other in rem collateral) under Italian Law, will receive preferential payment out of pre-insolvency (unless a different agreement is reached) and in court insolvency proceeding. However, an automatic stay is provided in such a way that secured creditors are prevented from enforcing their security interests starting from the date of publication of the court declaration of insolvency.

It is uncertain and untested in the Italian courts whether under Italian law a security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of The Law Debenture Trust Corporation p.l.c. as the Trustee of the Notes since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

The Trustee will act also as legal representative (*mandatario con rappresentanza*) and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code. However, please note that the enforceability of Italian law security granted in favor of a trustee acting as legal representative (*mandatario con rappresentenza*) and common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code has not been tested in the Italian courts and, therefore, the risk of unenforceability by the holders of the Notes of the Italian security documents posed by Italian law cannot be eliminated or mitigated. Furthermore, to date, Italian courts have not considered whether a common representative (*rappresentante comune*) may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Under Italian law, the creation of a security interest by a company must be permitted by its bylaws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit and corporate authorization. If a security interest is being provided in the context of an acquisition, group reorganization, refinancing or restructuring, financial assistance issues may also be triggered.

Corporate benefit

An Italian company granting a security interest must receive a real and adequate benefit in exchange for the security interest. Whilst corporate benefit for down-stream security (i.e., security granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security (i.e., security granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest. The concept of real and adequate benefit is not defined in the applicable legislation and is determined on a case-by-case basis. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although in certain circumstances, and subject to specific rules, the interest of the group to which such company belongs may also be taken into consideration. In particular, in case of up-stream and crossstream security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. Generally, the risk assumed by an Italian grantor of security must not be disproportionate to the direct or indirect economic benefit to it.

Absence of a real and adequate benefit could render the security provided by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

Financial assistance

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Any loan, guarantee or security given or granted in breach of these provisions is null and void. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation.

Certain Italian insolvency law considerations

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to maintain employment and to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, and not a temporary, status, in order for a court to hold that a company is insolvent.

Only corporations whose indebtedness and assets values exceed certain thresholds are subjected to bankruptcy proceeding (as further indicated). In addition to the above, the following pre-insolvency proceedings are currently available under Italian law for companies facing financial difficulties or temporary cash flow shortfall and, in general, financial distress.

Italian Bankruptcy Law provides for three models of pre-insolvency proceedings, namely: (1) court pre-bankruptcy composition with creditors (*concordato preventivo*) ("**CP**"), (2) debt restructuring agreements (*accordi di ristrutturazione dei debiti*) ("**DRA**") and (3) certified restructuring plans (*piani attestati di risanamento*) ("**CRP**"); however, it should be noted that only the CP is listed in Annex A to the EU Insolvency Regulation.

It should be noted that all of the above mentioned pre-insolvency proceedings often require creditors to compromise on their right to be fully satisfied. The debtor may offer to creditors partial settlement of their claims.

Restructuring outside of a judicial process

Restructuring generally takes place through a formal judicial process because it is more favorable to the debtor and because out-of-court arrangements put in place as a result of an out-of-court restructuring (other than those put in place under the safe harbor of an out-of-court reorganization CRP pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law, which exempts—provided all actions indicated in the plan are fully implemented—from insolvency claw-back and from certain criminal law provisions on bankruptcy those transactions executed as part of the CRP) are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger civil or criminal liabilities in the event of a subsequent bankruptcy.

Certified restructuring plans pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law (piani attestati di risanamento)

Out-of-court CRPs (*piani attestati di risanamento*) are based on restructuring plans (*piani di risanamento attestati*) prepared by companies for the purpose of restructuring their indebtedness and ensuring the recovery of their financial condition, the feasibility of which, together with the truthfulness of debtor's business (and accounting) data, must be assessed by an independent expert directly appointed by the debtor. The expert can only be selected and appointed among those possessing certain specific professional requisites and qualifications (e.g., being registered in the auditors' registrar), and meeting the requirements under Article 2399 of the Italian Civil Code. The expert may be subject to liability in case of misrepresentation or false certification.

CRPs are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or other supervising authority. CRPs do not require to be approved and consented by a specific majority of all outstanding claims. Following a restructuring plan, there is no entrustment of business to another entity, therefore the debtor remains entitled to manage its business.

The terms and conditions of the restructuring plans are freely negotiable. Unlike in CP and DRA proceedings, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although, upon request of the debtor, a CRP can be published in the relevant companies' register and, in such case creditors would benefit from a reduction in debtor tax liability).

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (accordi di ristrutturazione dei debiti)

Out-of-court agreements for the restructuring of indebtedness entered into with creditors representing at least 60% of the outstanding company's debts must be ratified ("*omologati*") by a court. An independent expert, directly appointed by the debtor, must assess—in addition to the truthfulness of the debtor's business data—that the agreement is feasible and, in particular, that it ensures that the non-participating creditors can be fully satisfied within 120 days from (i) the ratification ("*omologazione*") of the DRA by the court, in case the relevant claims are already due and payable to the non-participating creditors as at the date of the ratification (*omologazione*) of the debt restructuring agreement by the court or (ii) from the date on which the relevant debts fall due, in case the relevant claims are not yet due and payable to the nonparticipating creditors as of the date of the sanctioning of the restructuring agreement by the court.

Only a debtor who is in a situation of "financial distress" (i.e., facing financial distress which does not yet amount to insolvency) can initiate such process and request the court's confirmation ("*omologazione*") of the DRA, which must be entered into with creditors representing not less than 60% of the company's debts.

The DRA, which may consist of separate agreements reached with each creditor, must be published in the Italian companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any interim relief or enforcement actions over the assets of the debtor in relation to pre-existing claims and cannot obtain any new and additional security interest in relation to the pre-existing debts. Such moratorium can be requested, pursuant to Article 182-bis, Paragraph 6, of the Italian Bankruptcy Law, by the debtor to the court pending negotiations with creditors (prior to the DRA's execution and publication) subject to the fulfillment of certain conditions. A DRA may also contain a proposed tax settlement for the partial or deferred payment of certain overdue taxes, as provided in Article 182-ter of the Italian Bankruptcy Law.

The application for a moratorium must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation, sets the date for the hearing within 30 days from the filing of the request and orders the company to file the relevant documentation in relation to the moratorium to the creditors. In such hearing, the court assesses whether the conditions for granting the moratorium are in place and, if they are, orders, that no interim relief or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which the DRA has to be filed. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the CP (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financings granted to a debtor "in execution of" (*in esecuzione di*) a DRA, as well as of a CP benefit of a super senior status. Additionally, even the financings granted "in view of" (*in funzione di*) the filing of a petition for the sanctioning (*omologazione*) of an agreement pursuant to Article 182-bis or a *concordato preventivo* procedure benefit of the same super senior status in case of subsequent bankruptcy of the debtor where such financings are contemplated under the underlying restructuring plan and the super priority status is expressly recognized by the court in the context of the sanctioning (*omologazione*) of the Article 182-*bis* agreement or the approval of the *concordato preventivo* procedure. Same provisions apply to financings granted by shareholders up to 80% of their amount.

Moreover, pursuant to the new Article 182-quinquies of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the DRA agreement pursuant to Article 182-*bis*, Paragraph 1, or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* securities ("*garanzie reali*"), provided that the expert appointed by the debtor declares that the new financing aims at providing a better satisfaction of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, already payable and due, provided that the expert declares that such payments are essential for the company to operate. This possibility may be available to the applicant whereas its business activity is kept as a going concern.

It should be specified that the provision of Article 182-quinquies of the Italian Bankruptcy Law applies to both DRA and to CP.

Court supervised pre-bankruptcy arrangement with creditors pursuant to Article 161 of the Italian Bankruptcy Law (concordato preventivo)

In general, pursuant to Article 1 of Italian Bankruptcy Law, corporations are submitted to CP provisions and/or to bankruptcy where any of the following thresholds are exceeded (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years or (iii) total indebtedness (including debt not overdue and payable) in excess of €0.5 million.

A company, which is a situation of "financial distress and/or crisis" that has not been declared insolvent by the court, has the option to seek an arrangement with its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceeding.

Only the debtor company can file a petition at court for a CP, which must be accompanied and supported by a restructuring plan proposed to the creditors and an independent expert report assessing the feasibility of the arrangement proposal and the truthfulness of the business data on which the plan is grounded. Following the filing of the petition with the court, the petition is published by the court in the companies' register. Between the publishing in the companies' register of the CP proposal and its sanction by the court, all enforcement actions by the creditors (whose title arose before the publishing in the companies' register of the CP proposal) are stayed. In addition, during this time, pre-existing creditors cannot obtain security interests (unless authorized by the court) and the mortgages registered within 90 days preceding the date on which the petition for the CP is published in the Italian companies' register are ineffective against such pre-existing creditors. In addition, the arrangement proposal may provide for, *inter alia*: (i) the restructuring of debts and the satisfaction of creditors' claims, in any manner, including by way of example, through extraordinary transactions such as the granting to creditors and their subsidiaries or affiliated companies of shares, bonds (also convertible into shares), or other financial instruments and debt securities; (ii) the transfer to a receiver (*assuntore*) of the operations of the business involved in the proposed arrangement agreement; (iii) the placing of creditors into different classes; and (iv) different treatments for creditors belonging to different classes.

The arrangement proposal may provide that: (i) the debtor's company's business continues to be run by the debtor company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated. In both cases, the petition for the CP should fully describe the costs and revenue which are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert shall also certify that the continuation of the business is conductive to the satisfaction of creditors' claim to a greater extent than if such arrangement proposal was not implemented. Furthermore the going concern-based arrangement with creditors can provide also the winding-up of those assets which are not functional to the business. The arrangement agreement may also provide a proposed tax settlement for the partial or deferred payment of certain taxes.

The court determines whether the proposal for the arrangement is admissible, in which case the court, inter alia, delegates a judge (*giudice delegato*) to follow the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditor meeting. During the implementation of the arrangement, the company is managed by its corporate bodies (usually its board of directors) under the supervision of such judicial officer(s) and the judge delegated by the court. The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorizations. Third party claims, related to the interim acts legally carried out by the debtor, are super-senior pursuant to Article 111 of the Italian Bankruptcy Law.

The CP proposal is voted on at a creditors' meeting and must be approved with the favorable vote of creditors representing the majority of credits entitled to vote. If the proposal provides for different classes of creditors, the approval of the plan also requires the favorable vote of creditors representing the majority of credits in the majority of such classes. Creditors who, being entitled to vote, did not do so and whom did not express their dissent (including failing to notify their objection via telegraph, fax, mail or certified e mail) within 20 days of the closure of the minutes of the creditors' meeting are deemed to have consented to the CP. Secured creditors do not generally vote on the proposal of CP as they carry preferential claims, which must be fully satisfied. Secured creditors may vote if they waive their security or if the CP provides that, based on an independent expert appraisal on the value of the secured assets, they will not be fully satisfied (in which case they can vote only in respect of the part of the debt affected by the proposal).

The court may also approve the CP (notwithstanding the circumstance that one or more classes objected to the CP) if (i) the majority of the classes has approved the CP and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through the CP compared to other solutions known as a "cram down." If the proposal does not provide for classes of creditors and if any objection to the implementation of the CP is filed by at least 20% of the creditors entitled to vote, the court nevertheless confirms the CP if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the CP than would be otherwise be the case.

After the creditors' approval, the court (after having settled possible objections raised by the dissenting creditors, if any) must confirm the CP proposal by issuing a confirmation order.

If the approval of the CP fails, the court may, upon request of the public prosecutor or a creditor and after having ascertained the condition for declaration of bankruptcy, declare the company bankrupt.

Pre-application for the composition with creditors (concordato preventivo), even in view of a restructuring agreement (accordo di ristrutturazione del debito)

The filing of the application for the certification of a restructuring arrangement (*accordo di ristrutturazione del debito*) and the application for a composition with creditors (*concordato preventivo*) may be pre-empted by the filing by the debtor distressed company of a pre-application for a composition with creditors (*concordato preventivo*). In particular, according to Article 161(6) of the Italian Bankruptcy Law, the distressed company may file a pre-application for the composition with creditors together with (i) the financial statements of the last three financial years and, pursuant to the recent law Italian law decree no 69/2013 as converted into Italian Law No. 98 of August 9, 2013 ("**Law Decree 69/2013**") (ii) the list of creditors with the reference to the amount of their respective receivables, asking the competent court to set a deadline, between 60 and 120 days (subject to a further extension of up to 60 days where there are reasonable grounds (*giustificati motivi*)) for the filing of additional documents required for the filing of a petition at court for a CP. Pursuant to Italian Law Decree 69/2013, the court, if accepts such pre-application, may appoint a judicial commissioner to overview the company, who, in the event that the debtor has carried out one of the activities under article 173 of the Italian Bankruptcy Law (e.g. concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), shall report it to the court, which, upon further verification, may reject the petition at court for a concordato preventivo. The debtor company may not file such pre application where it had already done so in the previous two years without the admission to the CP (or the certification of a DRA) having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (relating also to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company shall file, on a monthly basis, the company's financial position, which is published, the following day, in the companies register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed Company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents. Following the filing of the pre application and until the decree of admission to the composition with creditors, the distressed company may (i) carry out acts pertaining to its ordinary activity and (ii) seek the Court's authorization to carry out acts pertaining to its extraordinary activity, to the extent they are urgent. Claims arising from acts lawfully carried out by the distressed company are treated as super senior (*prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9 of February 21, 2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the pre-application for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the CP within the same proceeding opened with the filing of the pre-application.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence a bankruptcy proceeding (fallimento) for the judicial liquidation of its assets can be filed by the same debtor, one or more creditors and, in some cases, by the public prosecutor. The bankruptcy is declared by the competent bankruptcy court. The bankruptcy proceedings under Italian Bankruptcy Law is applicable only if the company meets any of the following thresholds: (i) assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million in each of the latest three fiscal years; (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the latest three fiscal years; or (iii) total indebtedness in excess of €0.5 million.

Upon the commencement of a bankruptcy proceeding:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period. In particular, under certain circumstances secured creditors may enforce against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of the secured assets, together with interest and expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt entity's other unsecured debt. Subject to certain exceptions, the *in rem* secured creditor may sell the secured asset only after it has obtained authorization from the designated judge (*giudice delegato*). After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the designated judge decides whether to authorize the sale, and sets forth the timing in its decision;
- the administration of the debtor and the management of its assets pass from the debtor to the bankruptcy receiver;
- any act of disposition or transaction (including payments) made by the debtor after a declaration of bankruptcy, other than those made through the receiver, is ineffective;
- although the general rule is that the execution of contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to continue or to terminate them, certain contracts are governed by specific rules provided for by Italian Bankruptcy Law.

The bankruptcy proceeding is carried out and supervised by a court appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including administrative costs associated with the bankruptcy proceeding and including the costs related to the receiver's running of the company, Italian tax and national social security contributions and employee arrears of wages or salary. Unsecured creditors are therefore satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

The following features of bankruptcy proceedings also merit mention:

- **Bankruptcy arrangement with creditors (concordato fallimentare).** A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy arrangement proposal with creditors. The relevant petition can be filed by one or more creditors or third parties starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before two years from the decree granting effectiveness to the bankruptcy's estate. The petition may provide for the placing of creditors into different classes (thereby proposing different treatments among the classes), the restructuring of debts and the satisfaction of creditors' claims in any manner. The petition may provide the possibility that secured claims are paid only in part. The concordato fallimentare proposal must be approved by the creditors' committee and the creditors holding the majority of claims (and, if classes are formed, by a majority of the claims in a majority of the classes). Final court confirmation is also required.
- **Statutory priorities.** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other European Union jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid, including the costs related to the receiver's running of the company during the proceedings) are the claims of preferential creditors including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The claims of secured creditors have priority, subject to certain claims preferred by operation of law, on the proceeds deriving from the liquidation of the secured assets, net of administrative and maintenance costs incurred during the proceedings by the receiver to preserve the value of the secured assets. To the extent the proceeds of the sale of the secured assets are not sufficient to fully satisfy the secured claim, the latter will participate with the unsecured creditors in the distribution of the proceeds of the disposal of the remaining assets. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law) . The law sets a hierarchy of claims that must be strictly adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate a part thereof, or from a single asset.
- **Avoidance powers in insolvency.** Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian Bankruptcy Law that may give rise, inter alia, to the revocation of payments or granting of security interests or other transactions made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, transactions made with a view to defraud creditors or to advantage one creditor. Bankruptcy claw-back rules under Italian law are normally considered to be particularly favorable to the receiver compared to the rules applicable in other jurisdictions, which you may be familiar with. In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months under certain circumstances) and a two year ineffectiveness period for certain other transactions.

In particular, the Italian Bankruptcy Law distinguishes between acts or transactions, which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner:

Acts ineffective by operation of law. Under article 64 of the Italian Bankruptcy Law, all transactions entered into for no consideration are ineffective *vis à vis* creditors if entered into by the bankrupt entity in the two year period prior to the insolvency declaration. Moreover, under article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis à vis* creditors, if made by the bankrupt entity within the two year period prior to the insolvency declaration.

Acts and transactions that may be avoided at the bankruptcy receiver's request. These can include the following:

(i) The following acts and transactions, if made during the relevant period as specified below, may be avoided and declared ineffective, unless the other party proves that it had no actual or constructive knowledge of the debtor's insolvency:

- transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, made by the bankrupt entity which were not paid in cash or by other customary means of payment in the year before the insolvency declaration;
- pledges and voluntary mortgages granted by the bankrupt entity in the year before the insolvency declaration in order to secure pre-existing debts which have not yet fallen due; and
- pledges and judicial and/or voluntary mortgages granted by the bankrupt entity in the six months before the insolvency declaration in order to secure mature debts.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves (also by way of presumptions) that the other party knew that the bankrupt entity was insolvent:

- the payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months before the insolvency declaration; and
- deeds granting pre-emptive rights in favor of debts (even those of third parties) which are simultaneously created and made within six months before the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- a payment for goods or services made in the ordinary course of business according to market practice;
- a remittance on a bank account, provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main place of business of the purchaser and the purchaser has already commenced its business activity in the relevant premises or made investments to that end, as of the date of which the bankruptcy is declared;
- transactions entered into, payments made, and security granted with respect to the bankrupt entity's goods, provided that they concern the implementation of CRP which allows for the restructuring of the debt and for the improvement of its financial position, provided that such plan is certified as reasonable by an expert eligible to be appointed as a bankruptcy receiver, as provided by Article 28, let. a) and b) and 67, paragraph 3, letter d) of the Italian Bankruptcy Law, registered in the accounting auditors' register, independent possessing the requisites under Article 2399 of the Italian Civil Code,

- a transaction entered into, payment made, guarantee issued or security granted to implement a "*concordato preventivo*" or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law and transactions entered into, payments made and security interests granted after the filing for the application for a *concordato preventivo* pursuant to Article 161 of the Italian Bankruptcy Law (see above); and
- remuneration payments to the bankrupt entity's employees concerning work carried out by them; and
- payment of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to CP procedure.

In addition, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared void within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*). Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the creditor) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design). Burden of proof is entirely with the receiver.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

This is an extraordinary administration procedure available under Italian law for large industrial and commercial enterprises (commonly referred to as the "**Prodi-*bis* procedure**"). The same rules set forth for bankruptcy proceeding with respect to creditors' claims largely apply to an extraordinary administration proceeding as well as the hierarchy of claims to be adhered to in distributing any available asset. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company business activity.

To qualify for this procedure, the company must have employed at least 200 employees in the previous year. In addition, it must have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income from sales and services during its last financial year. The procedure may be commenced by petition of one or more creditors, the debtor, the public prosecutor or upon the competent court's own initiative.

There are two main phases within the Prodi-*bis* procedure: a judicial phase and an administrative phase.

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints a judicial receiver (or up to three) (*commissiario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submits a report to the court (within 30 days from insolvency declaration) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**").

The court has 30 days to decide whether to admit the company to the Prodi- *bis* procedure or declare it bankrupt.

Assuming that the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s), appointed by the Ministry, prepare a restructuring plan. The plan can provide for either the sale of the business as a going concern within 1 year (unless extended by the Ministry) (the "**Disposal Plan**") or a turnaround leading to the company's economic and financial recovery within 2 years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include an arrangement with creditors (e.g. debt for equity swap, issue of shares in a new company to whom the assets of the Company have been transferred).

The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s).The procedure ends upon successful completion of either a Disposal Plan or Recovery Plan, however should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

New extraordinary administration proceedings have been enacted (Italian Law Decree No. 347 of 23 December 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended). This is a new extraordinary administration procedure introduced in 2003, known as the "**Marzano procedure**." It is complementary to the Prodi-*bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to be faster than the Prodi-*bis* procedure. For example, although a company must be insolvent, the application to the Ministry is made together with the filing to the court for the declaration of the insolvency of the debtor.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) submits a Disposal Plan or Recovery Plan within 180 days from his appointment (or 270 days if the Ministry so agrees). The restructuring through the Disposal Plan or the Recovery Plan must be fully implemented within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and start bankruptcy proceedings.

In 2008, the Italian government enacted an amendment to Italian Law No. 39 of 2004. The reform introduced certain specific provisions applying to large companies carrying out services considered essential to the public.

Listing and general information

ADMISSION TO TRADING AND LISTING

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange. Application has also been made for the Notes to be listed on the ExtraMOT, Professional Segment, of the Borsa Italiana.

Luxembourg listing information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Luxembourg Listing Agent during normal business hours on any weekday (excluding holidays):

- the articles of association of the Issuer;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of the Issuer;
- the Indenture (which includes provisions related to the appointment of the Trustee);
- the organizational documents of the Issuer;
- the Security Documents; and
- the Intercreditor Agreement.

The Issuer has retained The Bank of New York Mellon (Luxembourg) S.A. as Registrar and Luxembourg Listing Agent and The Bank of New York Mellon, London Branch as Paying Agent, Calculation Agent and Transfer Agent and UniCredit Bank AG, Milan Branch as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

CLEARING INFORMATION

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 108677864 and 108677902, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS1086778641 and the ISIN for the Notes sold pursuant to Rule 144A is XS1086779029. Application has been made for both the Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

ISSUER LEGAL INFORMATION

General

The Issuer was converted from a limited liability company (*società a responsabilità limitata*) into a joint stock corporation (*società per azioni*) on July 9, 2014, and is registered with the Register of Companies of Modena (*Registro delle Imprese di Modena*) under the number 07889180969, with a duration until December 31, 2030. The Issuer ‘s registered offices are located at Via Della Chimica, 21, 41012 Carpi (Modena), Italy. The Issuer’s share capital is set at €522,400, CEP III, which owns 72% of the total share capital, and Mo.Da., which owns the remaining 28% of the total share capital. See “*Principal Shareholders*”. Pursuant to resolutions adopted by our board of directors on June 23, 2014, and by our shareholders at the general extraordinary shareholders’ meeting held on July 4, 2014, we have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

Pursuant to Article 4 of its articles of association, the corporate purposes of the Issuer are the production and sale of: (i) clothing products and other garments, made with fabric, mesh or other fibers both natural and synthetic and (ii) clothing products, in general, including knitwear, accessories, underwear, draperies, tablecloths, yarn and wool, trinkets, umbrellas, toiletries, leathergoods, synthetic materials or any other items related to the company’s trademarks or other intellectual property rights of the Issuer, such as glasses and perfumes. According to Article 4, the Issuer may also lend funds and may further grant any form of security in respect of any subsidiary, and, in general, of any entity which forms part of the same group of entities as the Issuer. Furthermore, according to Article 4, the Issuer may carry out all transactions which directly or indirectly serve its purposes, including, *inter alia,* raise funds by issuing any debt or equity securities or instruments.

Financial year and accounts

The Issuer ‘s financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. The Issuer also prepares and publishes quarterly interim financial statements. Any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of both the Luxembourg Listing Agent and the Trustee.

Subsidiaries

The registered office of Twin Set Shoes S.r.l. is Via Della Chimica 21, 41012, Carpi (MO), Italy.

The registered office of Tessitura Sidoti S.r.l. is Via Meucci 37, 41019, Soliera (MO), Italy.

The registered office of Twin Set—Simona Barbieri Deutschland GmbH is Westendstraße 28, 60325 Frankfurt am Main, Germany.

The registered office of Twin Set—Simona Barbieri Belgium BVBA is Louizalaan 46/46a, 1050 Brussels, Belgium.

The registered office of Twin Set—Simona Barbieri Spain S.L. is Zurbano 45, 1. 28010 Madrid, Spain.

The registered office of Twin Set—Simona Barbieri France S.A. is rue de Rome 35, 75008, Paris, France.

The registered office of Twin Set—Simona Barbieri Dutch Holding B.V. is Teleportboulevard 140, 1043EJ, Amsterdam, the Netherlands.

GENERAL

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer’s financial position or prospects since December 31, 2013; and
- the Issuer has not, and as far as the Issuer is aware, its subsidiaries have not, been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in this Offering Memorandum, and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

TWIN SET—SIMONA BARBIERI S.P.A. AND ITS SUBSIDIARIES

LIGHT FORCE S.R.L. (PREVIOUSLY LIGHT FORCE S.P.A.) AND ITS SUBSIDIARIES

TWIN-SET

SIMONA BARBIERI

TWIN SET—SIMONA BARBIERI S.r.l.

Interim Consolidated Financial Statements
as of and for the three months ended
March 31, 2014

INTERIM CONSOLIDATED BALANCE SHEET

As of March 31, 2014

In Euro	Notes	As of March 31, 2014	As of December 31, 2013
Assets			
Intangible assets	5	257,146,111	255,469,200
of which goodwill	*5*	*202,855,755*	*204,660,110*
Property, plant and equipment	6	8,206,410	7,339,267
Other financial assets	7	207	90,931
Total intangible assets, PP&E and other financial assets		**265,352,728**	**262,899,398**
Inventories	8	40,771,573	53,629,117
Trade receivables	9	74,781,543	44,499,345
Tax receivables	9	878,925	4,782,464
Deferred tax assets	9	3,010,166	2,962,094
Other receivables	9	2,242,765	1,873,681
Cash and cash equivalents	10	11,248,518	14,290,478
Total current assets		**132,933,490**	**122,037,179**
Accrued income and prepaid expenses	11	1,502,520	667,057
Total assets		**399,788,738**	**385,603,634**

In Euro		As of March 31, 2014	As of December 31, 2013
Liabilities and Shareholders' equity			
Shareholders' equity			
Share capital	12	522,400	522,400
Reserves	12	160,394,797	160,195,262
Retained earnings	12	1,070,248	(2,090,010)
Profit/(loss) for the period	12	6,057,691	3,359,793
Total Group Shareholders' equity		**168,045,136**	**161,987,445**
Equity attributable to non-controlling interests	12	12,822	14,723
Total Shareholders' equity		**168,057,958**	**162,002,168**
Liabilities			
Provisions for risks and charges	13	5,187,667	4,912,452
Deferred tax liabilities	22	8,110,659	8,218,127
Provisions for employee severance indemnities	14	466,765	474,643
Shareholder loan	15	78,597,759	77,285,818
Bank loans	15	85,399,569	74,907,050
Client advances	15	487,126	1,420,447
Trade payables	15	42,800,195	51,319,631
Tax payables	15	4,907,188	939,937
Social security payables	15	586,609	878,805
Other payables	15	3,815,624	2,977,851
Accrued expenses and deferred income	16	1,371,619	266,705
Total liabilities		**231,730,780**	**223,601,466**
Total liabilities and shareholders' equity		**399,788,738**	**385,603,634**
Memorandum accounts			
Guarantees	17	3,495,139	3,393,363
Other memorandum accounts	17	22,465,325	17,500,281
Total memorandum accounts		**25,960,464**	**20,893,644**

INTERIM CONSOLIDATED INCOME STATEMENT

For the three months ended March 31, 2014

In Euro	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
Interim Consolidated Income Statement			
Revenue	18	70,166,949	58,631,329
Other income and internally generated assets	18	540,677	360,479
Change in work in progress, semifinished and finished product inventories	18	(14,559,446)	(8,914,897)
Total revenue and income		**56,148,180**	**50,076,911**
Purchase of raw materials, goods and changes in inventory	19	12,498,075	12,633,783
Cost of services	19	17,814,177	16,622,255
Rent	19	2,492,989	1,700,697
Personnel costs	19	5,310,576	3,675,392
Depreciation and Amortization	19	4,699,415	3,902,370
Write-downs of trade receivables	19	400,000	300,000
Provisions	19	61,000	—
Other operating costs	19	395,482	138,812
Total operating costs		**43,671,714**	**38,973,309**
Operating profit		**12,476,466**	**11,103,602**
Financial income/(expenses)	20	(2,859,739)	(2,092,697)
Impairment of investments		—	—
Extraordinary income/(expenses)	21	(100,929)	(189,906)
Profit before tax		**9,515,798**	**8,820,999**
Income tax	22	(3,460,008)	(3,675,978)
Profit for the period		**6,055,790**	**5,145,021**
Attributable to non-controlling interests		*(1,901)*	*(22,557)*
Attributable to the Group		*6,057,691*	*5,167,578*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2014

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period/year	Total
As of December 31, 2012	**500,000**	**153,200,000**	**(1)**	**—**	**(2,090,010)**	**151,609,989**
Share capital increase of June 20, 2013	22,400	6,995,262				7,017,662
Allocation of previous year loss				(2,090,010)	2,090,010	—
Profit for the year					3,359,793	3,359,793
Other			1			1
As of December 31, 2013	**522,400**	**160,195,262**	**—**	**(2,090,010)**	**3,359,793**	**161,987,445**
Allocation of previous year profit				3,359,793	(3,359,793)	—
Profit for the period					6,057,691	6,057,691
As of March 31, 2014	**522,400**	**160,195,262**	**—**	**1,269,783**	**6,057,691**	**168,045,136**
Total Group Shareholders' equity						**168,045,136**
—Capital and reserves attributable to non-controlling interests						14,723
—Loss for the period attributable to non-controlling interests						(1,901)
Total equity attributable to non-controlling interests						**12,822**
Total Shareholders' equity						**168,057,958**

INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the three months ended March 31, 2014

	In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013
A	NET CASH AT THE BEGINNING OF THE PERIOD*	13,707,735	12,056,319
	Net cash flow from operating activities		
	Profit for the period	**6,055,790**	**5,145,021**
	Amortization	4,294,237	3,648,522
	Depreciation	405,178	253,848
	Interest on Shareholder loan capitalized	1,311,941	1,201,667
	Interest on Senior loan not paid	910,860	947,850
	Change in deferred tax assets and liabilities	(155,540)	694,190
	Change in provisions for risks and charges	275,215	8,621
	Change in employee severance indemnities	(7,878)	(2,075)
	Cash flow from operating activities before changes in net working capital	**13,089,803**	**11,897,644**
	Changes in inventories	12,857,544	8,888,652
	Changes in trade receivables	(31,215,519)	(29,647,154)
	Changes in trade and other payables	(8,519,436)	(393,395)
	Net change in other working capital items	7,405,874	3,490,676
	Change in net working capital	**(19,471,537)**	**(17,661,221)**
B	NET CASH FLOW FROM OPERATING ACTIVITIES	(6,381,734)	(5,763,577)
	Net cash flow from investing activities		
	Investments in intangible assets	(5,971,148)	(2,503,759)
	Investments in property, plant and equipment	(1,293,294)	(343,616)
	Disposals of property, plant and equipment	20,973	—
	Investments in other financial assets	(202)	—
C	NET CASH FLOW FROM INVESTING ACTIVITIES	(7,243,671)	(2,847,375)
	Net cash flow from financing activities		
	Repayment of loans	(563,371)	(612,621)
	Bank loans received	7,000,000	—
	Receipt from non-current financial receivables	90,926	—
D	NET CASH FLOW FROM FINANCING ACTIVITIES	6,527,555	(612,621)
E	NET CASH FLOW FOR THE PERIOD (B+C+D)	(7,097,850)	(9,223,573)
F	NET CASH AT THE END OF THE PERIOD* (A+E)	6,609,885	2,832,746

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

TWIN-SET

SIMONA BARBIERI

TWIN SET—SIMONA BARBIERI S.r.l.

Explanatory Notes
to the Interim Consolidated Financial Statements
as of and for the three months ended
March 31, 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 and TS Dutch Holding (together with the Parent Company, the "Group") operates 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".

These Interim Consolidated Financial Statement as of and for the three months ended March 31, 2014 report a net profit for the period of Euro 6,057,691, after Depreciation and Amortization of Euro 4,699,415, write-down of trade receivables of euro 400,000, net financial expenses of Euro 2,859,739 and income taxes of Euro 3,460,008, for which please refer 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 solely for the purposes of their inclusion in the offering memorandum to be prepared in connection with the Company's issuance of senior secured floating rate notes (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S (and only to investors who, if resident in a member state of the European Economic Area, are qualified investors under Directive 2003/71/EC, as amended (the "**Prospectus Directive**")). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market upon their issuance. In addition, application will be made to Borsa Italiana S.p.A. for listing of the notes on the ExtraMOT, Professional Segment upon their issuance.

The Interim Consolidated Financial Statements were approved by the Company's Board of Directors on June 23, 2014.

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 the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement as interpreted and integrated 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 lower amount of information to be included in interim financial statements from what is required for 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 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 with 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

In the interim consolidated balance sheet amounts as of December 31, 2013, while in the interim consolidated income statement amounts for the three months ended March 31, 2013, are presented for comparative purposes.

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.R.L.	Italy	6,873,651	169,235,735	3/31/2014			
TS SHOES SRL UNIPERSONALE	Italy	(62,159)	(52,897)	3/31/2014	100%	138,440	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	554	182,146	3/31/2014	90%	45,000	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(16,084)	6,417	3/31/2014	100%	50,639	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(289,981)	389,051	3/31/2014	99.99%	1,042,216	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(39,817)	(72,717)	3/31/2014	100%	4,626	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(96,958)	(59,458)	3/31/2014	100%	53,400	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	(3,054)	47,046	3/31/2014	80%	121,054	Line-by-line

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 accounted for 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 those of the 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 in the Shareholders' equity and in the interim consolidated income statement.

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

- ➤ The carrying amount of investments in consolidated company is 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 intangible assets and amortized over its estimated useful life;
- ➤ All payables, receivables, revenue 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 assets 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	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 cost adopted is the purchase cost while for goods produced by Group companies cost adopted is the production cost. 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 criteria 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 reasons that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.

Even all other receivables are 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.

Revenue and Costs

Revenue 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 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 (Item C.17-bis). 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 Consolidated Financial Statements date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from the 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 concerned 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, 2013	As of December 31, 2013			Changes in the period					As of March 31, 2014		
							Decreases					
Account	Amortization	Historical cost	Accumulated amortization	Net book value	Additions	Reclass.	Hist. cost	Acc. amort.	Amortization	Historical cost	Accumulated amortization	Net book value
Start up and formation expenses . . .	(89,856)	871,194	(315,234)	555,960	77,114	8,136		—	(36,196)	956,444	(351,430)	605,014
Industrial patents and intellectual property rights	(709,931)	3,019,356	(1,373,859)	1,645,497	126,352	31,185		—	(224,762)	3,176,893	(1,598,621)	1,578,272
Concessions, licenses, trademarks and similar rights	(1,436,558)	28,583,060	(1,873,424)	26,709,636	24,690			—	(359,483)	28,607,750	(2,232,907)	26,374,843
Goodwill . . .	(10,882,958)	216,149,454	(11,489,344)	204,660,110	1,091,885			—	(2,896,240)	217,241,339	(14,385,584)	202,855,755
Assets in progress and advances . .	—	1,696,940	—	1,696,940	1,837,538	(586,927)		—	—	2,947,551	—	2,947,551
Other intangible assets	(2,663,554)	26,539,511	(6,338,454)	20,201,057	2,813,569	547,606	—	—	(777,556)	29,900,686	(7,116,010)	22,784,676
Total intangible assets	**(15,782,857)**	**276,859,515**	**(21,390,315)**	**255,469,200**	**5,971,148**	**—**	**—**	**—**	**(4,294,237)**	**282,830,663**	**(25,684,552)**	**257,146,111**

<u>Start up and formation expenses</u> include incorporation and formation expenses incurred by the Parent Company and its subsidiaries. The increase for the period of Euro 85,250 principally concerns costs incurred by the Group for the incorporation of overseas companies.

<u>Industrial patents and intellectual property rights</u> include the costs for software licenses for indefinite use, principally held by the Parent Company. The increase for the period of Euro 157,537 principally concerns costs incurred for the introduction of new infrastructural solutions and the development of the current operating system.

<u>Concessions licenses, trademarks and similar rights</u> 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 24,690 in the first quarter of 2014 in order to register new trademarks and maintain existing trademarks.

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 March 31, 2014
“Twin Set—Simona Barbieri” trademark	8,071	1,000,000	149,724	27,380,297	28,538,092

Goodwill refers to the costs incurred by the Parent Company connected to Retail development. The account also includes, for Euro 190,747,382, the net book value of goodwill resulting from the allocation of premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years. The increase in the period relates to the goodwill paid for the acquisition of a store for Euro 1,091,885.

The increase in assets in progress and advances of Euro 1,837,538 relates for Euro 410,424 to costs incurred by the Parent Company for the implementation of a number of projects and in particular: Euro 153,228 for the capitalization of employee costs related to the new Oracle JD Edwards management software, Euro 78,477 for the development project of Online Shopping, Euro 55,025 for the implementation of the new management software of retail channel “Store2”, Euro 54,913 for the design and construction of new offices, Euro 44,690 for costs related to the acquisition and implementation of the software “PLM” for the management of product registration information and Euro 24,091 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 France for Euro 861,804, Spain for Euro 87,000 and Germany for Euro 27,258. The residual part of the increase principally relates to expenses concerning the Polaris project, which should be concluded by the end of 2014.

Other intangible assets mainly include leasehold improvements (Euro 5,272,935), key money paid to secure leases in strategic locations (Euro 11,418,825) and finance expenses for Senior Loan obtained by the Parent Company from a syndicate of banks led by UniCredit S.p.A. (Euro 4,836,994) and, consequently, amortized over the contract duration.

The increase of the period of Euro 3,361,175 principally concerns the key money paid in the first quarter of 2014 by the Parent Company and by the subsidiary TS France and the restructuring expenses incurred for the opening of Bari store.

Impairments

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

Note 6—Property, plant and equipment

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

In Euro	Year ended December 31, 2013	As of December 31, 2013			Changes in the period					As of March 31, 2014		
							Decreases					
Account	Depreciation	Historical cost	Accumulated depreciation	Net book value	Additions	Reclass.	Hist. cost	Acc. deprec.	Depreciation	Historical cost	Accumulated depreciation	Net book value
Land and buildings	(1,751)	29,881	(5,291)	24,590	—			—	(740)	29,881	(6,031)	23,850
Plant and machinery	(610,639)	10,217,881	(6,658,767)	3,559,114	157,147	19,745		—	(194,045)	10,394,773	(6,852,812)	3,541,961
Industrial and commercial equipment	(1,014,608)	5,187,307	(1,975,137)	3,212,170	333,790	2,600		—	(155,681)	5,523,697	(2,130,818)	3,392,879
Other tangible assets	(243,816)	1,941,698	(1,421,501)	520,197	203,321	851	(58,789)	37,816	(54,712)	2,087,081	(1,438,397)	648,684
Construction in progress and advances	—	23,196	—	23,196	599,036	(23,196)		—	—	599,036	—	599,036
Total property, plant and equipment	(1,870,814)	17,399,963	(10,060,696)	7,339,267	1,293,294	—	(58,789)	37,816	(405,178)	18,634,468	(10,428,058)	8,206,410

Land and buildings concern light constructions amounting to Euro 23,850 as of March 31, 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 increase for the period of Euro 176,892 represent for Euro 121,923 the investments made by the Parent Company during the quarter for the fitting of electrical plant, lighting and video surveillance, principally for the new Bari store opened on March 15, 2014 and for Euro 54,969 to investments made by the subsidiary TS Spain in connection to the new store opened in Valencia on January 31, 2014.

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 for the period of Euro 336,390 principally concern the purchases made by the Parent Company for the new Bari store (Euro 120,673) and for other existing sales points (Euro 80,120) and for Euro 116,162 the purchase made by the subsidiary TS Spain for the Valencia store.

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

The increase for the first quarter of 2014, amounting to Euro 204,172, refer to the purchase of ordinary assets of the Parent Company for Euro 192,179 and of the subsidiary TS Spain for Euro 11,142.

Construction in progress and advances concern plants and leasehold improvements not yet completed, principally relating to the stores in France, which will be opened later in 2014 and the installation of a server for Euro 85,000, not yet completed as of March 31, 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:

	As of December 31, 2013				Changes in the period		As of March 31, 2014			
In Euro	Cost	Reval.	Write-down	NBV	Increases	Decreases	Cost	Reval.	Write-down	NBV
Investments										
—Subsidiaries	—	—	—	—	202	—	202	—	—	202
—other companies	5	—	—	5	—	—	5	—	—	5
Receivables										
—other	90,926	—	—	90,926	—	(90,926)	—	—	—	—
Total other financial assets	90,931	—	—	90,931	202	(90,926)	207	—	—	207

Other financial assets are composed by investments in subsidiaries amounting to Euro 202, related to the investments of Twin Set—Simona Barbieri Dutch Holding B.V. in Twin Set—Simona Barbieri East LLC (this company is not included in the consolidation scope as of March 31, 2014 since it is not yet operating) and to other companies (Euro 5), corresponding to the investment in the Obligatory National Packaging Consortium (CONAI).

Financial receivables of Euro 90,926 refer to guarantee deposits related to the business unit rental contract subscribed with Oldtex S.r.l., as previously described, restored during the first quarter of 2014.

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:

	As of March 31, 2014		As of December 31, 2013		Changes	
In Euro	Gross	Net	Gross	Net	Gross	Net
Raw materials, consumables and goods	7,286,091		5,839,691		1,446,400	
—obsolescence provision	(909,581)		(908,489)		(1,092)	
		6,376,510		4,931,202		1,445,308
Work-in-progress and semi-finished products	2,219,307		3,360,261		(1,140,954)	
—obsolescence provision	—		—		—	
		2,219,307		3,360,261		(1,140,954)
Finished goods	34,577,880		48,188,248		(13,610,368)	
—obsolescence provision	(2,402,124)		(2,850,594)		448,470	
		32,175,756		45,337,654		(13,161,898)
Total inventories		40,771,573		53,629,117		(12,857,544)

Inventories consist of:

- raw materials, consumables and goods, amounting to Euro 6,376,510, net of the obsolescence provision of Euro 909,581 (Euro 908,489 at December 31, 2013), include yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 2,219,307, represent clothing and garments in production not yet completed at period end;
- finished goods, amounting to Euro 32,175,756, net of the relative obsolescence provision of Euro 2,402,124 (Euro 2,850,594 as of December 31, 2013), include garments produced and complementary products distributed.

The decrease in inventories compared to December 31, 2013 principally relates to the seasonality of sales, with a peak concerning wholesale channel in the first three months of each year.

The obsolescence provision, recorded as a direct reduction of inventories for a total amount of Euro 3,311,705 as of March 31, 2014, is calculated to represent the 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 March 31, 2014	As of December 31, 2013	Changes
Trade receivables	74,781,543	44,499,345	30,282,198
Tax receivables	878,925	4,782,464	(3,903,539)
Deferred tax assets	3,010,166	2,962,094	48,072
Other receivables	2,242,765	1,873,681	369,084
Total receivables	**80,913,399**	**54,117,584**	**26,795,815**

Trade receivables, amounting to Euro 74,781,543 (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 seasonality of business and in particular to the peak that involve wholesale revenue in the first three months of each year.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 2,599,206 as of March 31, 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 March 31, 2014
2,221,950	(22,744)	400,000	—	2,599,206

Tax receivables, amounting to Euro 878,925 (Euro 4,782,464 as of December 31, 2013), include VAT receivables for Euro 326,047 (Euro 2,605,538 as of December 31, 2013) related to the various group companies in respective countries, IRES reimbursement receivable of the Parent Company pursuant to Legislative Decree 201/2011 for Euro 242,177, VAT reimbursement receivable of the Parent Company for Euro 293,075 and other tax receivables for Euro 17,626.

Deferred tax assets refer to temporary tax differences, deductible in future years, mainly related to obsolescence provision, 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 deposits for Euro 747,777 (Euro 501,135 as of December 31, 2013), credit notes to be received for Euro 708,502 (Euro 720,440 as of December 31, 2013), supplier advances for Euro 46,867, receivables from suppliers for Euro 660,945 and other receivables for Euro 78,674.

Breakdown of receivables by geographic area

The geographic breakdown of trade receivables as of March 31, 2014 compared to December 31, 2013 is as follows:

Percentage	As of March 31, 2014 %	As of December 31, 2013 %
Italy	79.0%	77.7%
EU	19.0%	19.0%
Non EU	2.0%	3.3%
Total	100.0%	100.0%

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

Maturity of receivables

The maturity of receivables as of March 31, 2014 is shown in the table below:

In Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years
Trade receivables	74,781,543	74,781,543	—
Tax receivables	878,925	878,925	—
Deferred tax assets	3,010,166	2,975,276	34,890
Other receivables	2,242,765	1,494,988	747,777
Total receivables	**80,913,399**	**80,130,732**	**782,667**

Note 10—Cash and cash equivalents

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

In Euro	As of March 31, 2014	As of December 31, 2013	Changes
Bank and postal accounts	11,192,192	14,230,542	(3,038,350)
Cheques	—	940	(940)
Cash on hand	56,326	58,996	(2,670)
Total cash and cash equivalents	**11,248,518**	**14,290,478**	**(3,041,960)**

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

Note 11—Accrued income and prepaid expenses

Accrued income and prepaid expenses as of March 31, 2014, amounting to Euro 1,502,520, include prepaid expenses composed as follows:

In Euro	As of March 31, 2014	As of December 31, 2013	Changes
Trade fairs	—	103,943	(103,943)
Hire	14,527	50,848	(36,321)
Rental	338,025	198,569	139,456
Services	760,514	220,605	539,909
Consultants	26,633	61,750	(35,117)
Sureties	—	8,580	(8,580)
Insurance	211,843	10,702	201,141
Franchising	135,626	6,942	128,684
Other	15,352	4,918	10,434
Total prepaid expenses	**1,502,520**	**666,857**	**835,663**

Services, amounting to Euro 760,514 (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 539,909, is mainly due to marketing and advertising services.

Insurance increases for Euro 201,141 due to the prepayment of new insurance policies.

The increase in Franchising relates to costs incurred in the first quarter of 2014 for new franchised stores opened after March 31, 2014.

No accrued income has been recorded as of March 31, 2014 (Euro 200 as of December 31, 2013).

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

Note 12—Shareholders' equity

The following table provides details of the movements in shareholders' equity:

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period/ year	Total
As of December 31, 2013	522,400	160,195,262	—	(2,090,010)	3,359,793	161,987,445
Allocation of previous year profit				3,359,793	(3,359,793)	—
Profit for the period					6,057,691	6,057,691
As of March 31, 2014	522,400	160,195,262	—	1,269,783	6,057,691	168,045,136
Total Group Shareholders' equity						168,045,136
—Capital and reserves attributable to non-controlling interests						14,723
—Loss for the period attributable to non-controlling interests						(1,901)
Total equity attributable to non-controlling interests						12,822
Total Shareholders' equity						168,057,958

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

Equity attributable to non-controlling interests amounts to Euro 12,822.

The ownership structure is as follows:

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

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 as for separate financial statements of the Parent Company and net profit/(loss) and equity as for Interim Consolidated Financial Statements is reported in the following table.

In Euro	Profit/(loss) for the three months ended March 31, 2014	Equity as of March 31, 2014
Financial statements of TWIN SET—Simona Barbieri S.r.l.	6,873,651	169,235,736
—Difference between carrying value and book value of net equity of subsidiaries	(507,554)	(792,631)
—Elimination of intercompany profit in stock:		
Profit in stock related to Tessitura Sidoti S.r.l.	(17,601)	(23,736)
Profit in stock related to TS Belgium	(277,496)	(360,924)
Other consolidation adjustments	(13,309)	(13,309)
Profit/(loss) and equity attributable to the Group	**6,057,691**	**168,045,136**
Profit/(loss) and equity attributable to non-controlling interests	**(1,901)**	**12,822**
Consolidated profit/(loss) and equity	**6,055,790**	**168,057,958**

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 business.

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	As of March 31, 2014
Provision for pensions and similar obligations	1,922,099	—	218,046	—	2,140,145
Provision for taxation	241,385	—	—	(3,041)	238,344
Provision for returns	1,340,927	—	—	—	1,340,927
Other provision for risks and charges	1,408,041	(790)	61,000	—	1,468,251
Total provisions for risks and charges	**4,912,452**	**(790)**	**279,046**	**(3,041)**	**5,187,667**

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 refers to the provision accrued in previous period following the assessment made 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 1,468,251. The provision recorded in the first quarter of 2014 relates to a litigation with an ex-agent.

Note 14—Provision for employee severance indemnities

The provision reflects the liability due to employees as of March 31, 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 March 31, 2014	As of December 31, 2013	Changes
Severance indemnity liability	508,360	538,319	(29,959)
Advances	(86,641)	(118,671)	32,030
Payments to supplementary funds	45,046	54,995	(9,949)
Total provision for employee severance indemnities	**466,765**	**474,643**	**(7,878)**

Note 15—Payables

The changes in payables are shown in the following table:

In Euro	As of March 31, 2014	As of December 31, 2013	Changes
Shareholder loan	78,597,759	77,285,818	1,311,941
Bank loans	85,399,569	74,907,050	10,492,519
Client advances	487,126	1,420,447	(933,321)
Trade payables	42,800,195	51,319,631	(8,519,436)
Tax payables	4,907,188	939,937	3,967,251
Social security payables	586,609	878,805	(292,196)
Other payables	3,815,624	2,977,851	837,773
Total payables	**216,594,070**	**209,729,539**	**6,864,531**

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 March 31, 2014 includes non cash interests accrued from the drawdown date, amounting to Euro 8,597,759 (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 4,638,633 (Euro 582,743 as of December 31, 2013) and loans (all unsecured) for Euro 80,760,936 (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 March 31, 2014 and of the changes occurred during the period:

Lender	As of December 31, 2013	Changes in the period: Repayments	Changes in the period: Drawdown	As of March 31, 2014	Maturity	Maturity: within one year	Maturity: beyond one year	Maturity: within 5 years	Maturity: over 5 years
CARISBO	611,568	(49,933)	—	561,635	29/12/2016	204,559	357,075	357,075	—
CARIGE	320,910	(38,442)	—	282,468	12/31/2015	158,487	123,981	123,981	—
BPER—SACE (2895788)	1,127,983	(138,920)	—	989,063	12/30/2015	561,592	427,472	427,472	—
BPER (3564210)	990,965	(74,096)	—	916,869	1/29/2017	299,894	616,975	616,975	—
BNL	559,687	(62,187)	—	497,500	1/2/2016	248,750	248,750	248,750	—
CENTROBANCA	150,000	(150,000)	—	—	2/10/2014	—	—	—	—
BANCA POP. COMM.& IND.	563,194	(49,793)	—	513,401	9/21/2016	251,805	261,597	261,597	—
UNICREDIT (term loan)	57,000,000	—	—	57,000,000	6/29/2018	7,500,000	49,500,000	49,500,000	—
UNICREDIT (capex line)	13,000,000	—	7,000,000	20,000,000	12/31/2018	—	20,000,000	20,000,000	—
Total bank loans	**74,324,307**	**(563,371)**	**7,000,000**	**80,760,936**		**9,225,086**	**71,535,849**	**71,535,849**	**—**

The residual loan of Euro 57,000,000 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 2013 the first two installments, for a total amount of Euro 3,000,000, were repaid. Interests are 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 residual Euro 42,750,000.

➤ 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 within the end of each year. During the first quarter 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 December 31, 2018, in accordance with a pre-determined repayment plan. In the first three months of 2014 this line was entirely utilized (Euro 20,000,000) to finance Retail channel investments.

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 March 31, 2013 to March 31, 2014 and for 2013 year end. According to the management, Twin Set—Simona Barbieri Group will also meet the ratios as of June 30, 2014.

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

Client advances, amounting to Euro 487,126, refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 42,800,195 (Euro 51,319,631 as of December 31, 2013), refer to supply of goods and services and to agents commissions.

Tax payables, amounting to Euro 4,907,188 (Euro 939,937 as of December 31, 2013), are exposed net of advances paid and withholding taxes receivables. This account is composed by withholding taxes on employees and professionals for Euro 682,772 (Euro 730,824 as of December 31, 2013), IRES and IRAP payables for Euro 1,285,034 (Euro 0 as of December 31, 2013) and Euro 928,184 (Euro 204,439 as of December 31, 2013) respectively, VAT payables for Euro 1,946,820 and other tax payables for Euro 64,378.

Social security payables, amounting to Euro 586,609 (Euro 878,805 as of December 31, 2013), refer to INPS payables for Euro 424,218 (Euro 751,570 as of December 31, 2013), ENASARCO for Euro 91,494 (Euro 109,903 as of December 31, 2013), INAIL for Euro 24,834 (Euro 843 as of December 31, 2013) and other social security institutions for Euro 46,063 (Euro 16,489 as of December 31, 2013).

Other payables, amounting to Euro 3,815,624 (Euro 2,977,851 as of December 31, 2013), include: payables to employees for salary, vacation not yet taken, additional salary (called 13^{th} and 14^{th} months) and the relative social contributions for Euro 3,250,838 (Euro 2,366,914 as of December 31, 2013); 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 395,511 (Euro 531,662 as of December 31, 2013), including payables to customers not offsettable with trade receivables for Euro 389,659 (Euro 406,250 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	78,597,759	—	—	78,597,759
Bank loans	85,399,569	13,863,720	71,535,849	—
Client advances	487,126	487,126	—	—
Trade payables	42,800,195	42,800,195	—	—
Tax payables	4,907,188	4,907,188	—	—
Social security payables	586,609	586,609	—	—
Other payables	3,815,624	3,815,624	—	—
Total payables	**216,594,070**	**66,460,462**	**71,535,849**	**78,597,759**

Breakdown of payables by geographic area

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

Percentage	As of March 31, 2014 %	As of December 31, 2013 %
Italy	76.3%	74.3%
EU	10.1%	4.1%
Non EU	13.6%	21.6%
Total	**100.0%**	**100.0%**

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

Financial Instruments

The Companies of the Group did not issue financial instruments.

Project finance loans

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

Note 16—Accrued expenses and deferred income

This account amounts to Euro 1,371,619 as of March 31, 2014 and includes the following accrued expenses:

In Euro	As of March 31, 2014	As of December 31, 2013	Changes
Interest—Revolving Line	89,333	92,000	(2,667)
Interest—Capex Line	286,080	46,667	239,413
Interest—Loan Line	910,860	10,473	900,387
Other loan interest	7,018	36,181	(29,163)
Rental fees and expenses	14,880	27,866	(12,986)
Services	1,476	3,822	(2,346)
Other	61,972	49,496	12,476
Total accrued expenses	**1,371,619**	**266,505**	**1,105,114**

No deferred income was recorded as of March 31, 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 3,495,139 (Euro 3,393,363 as of December 31, 2013).

In relation to the commitments related to USD forward purchase contracts in place as of March 31, 2014, amounting to Euro 22,465,325 (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
BNL	Flexi forward	3,500,000	6/11/2013	4/1/2014	6/26/2014	1.3215	2,648,505	(110,066)
UniCredit .	Flexi forward	5,000,000	10/22/2013	2/3/2014	7/29/2014	1.3748	3,636,893	(10,551)
UniCredit .	Flexi forward	5,000,000	9/19/2013	5/28/2014	9/26/2014	1.3402	3,730,786	(104,445)
UniCredit .	Flexi forward	5,000,000	9/19/2013	9/1/2014	12/29/2014	1.3520	3,698,225	(71,883)
UniCredit .	Flexi forward	4,000,000	1/27/2014	12/1/2014	2/27/2015	1.3630	2,934,703	(33,629)
UniCredit .	Flexi forward	4,000,000	1/27/2014	12/1/2014	5/29/2015	1.3620	2,936,858	(35,784)
UniCredit .	Flexi forward	4,000,000	3/13/2014	1/2/2015	6/30/2015	1.3892	2,879,355	21,718
Total . .		30,500,000					22,465,325	(344,640)

As of March 31, 2014, two Interest Rate Swap (IRS) contracts signed by the Parent Company were effective, for a residual nominal value of Euro 42,750,000, undertaken to partially hedge the interest rate risk on Senior loan, as previously described. The breakdown and fair value of these contracts as of March 31, 2014 is shown in the following table:

Counterparty	Amount	Operation date	Maturity date	Rate	Floater	Fair Value
BBVA	14,250,000	12/31/2012	12/31/2015	0.785%	Euribor 6M	(89,724)
UniCredit	28,500,000	12/31/2012	12/31/2015	0.780%	Euribor 6M	(179,026)
Total	42,750,000					(268,750)

Note 18—Revenue and income

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Revenue	70,166,949	58,631,329	11,535,620
Other income and internally generated assets . .	540,677	360,479	180,198
Change in work in progress, semifinished and finished product inventories	(14,559,446)	(8,914,897)	(5,644,549)
Total revenue and income	**56,148,180**	**50,076,911**	**6,071,269**

Revenue represents the sales occurred in the quarter through the various distribution channels and increased by 20% compared to the same period of the previous year. Wholesale channel revenue grew from Euro 51,056,792 for the three months ended March 31, 2013 to Euro 57,526,476 for the three months ended March 31, 2014. Retail channel (shop online included) revenue increased by 67% to Euro 12,610,376 for the three months ended March 31, 2014 from Euro 7,541,206 for the three months ended March 31, 2013. Finally, other revenue decreased to Euro 30,097 for the three months ended March 31, 2014 from Euro 33,331 for the three months ended March 31, 2013.

Revenue relates to the Parent Company for Euro 69,226,742, to Tessitura Sidoti for Euro 226,249, to TS Belgium for Euro 591,155, to TS Spain for Euro 121,956, to TS Shoes for Euro 769 and to TS France for Euro 78.

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

As of March 31, 2014 the Group operated in the retail channel through 40 stores (27 directly-operated stores—DOS and 10 outlets located in Italy plus 3 DOS located outside of Italy). 2 DOS were opened during the first three months of 2014, of which 1 DOS in Italy and another DOS outside of Italy, while 1 italian DOS has been closed during the same period.

Breakdown of revenue by geographic area

The geographic breakdown of revenue as of March 31, 2014 compared to March 31, 2013 is as follows:

Percentage	Three months ended March 31, 2014 %	Three months ended March 31, 2013 %
Italy	73.4%	70.5%
EU	19.2%	20.7%
Non EU	7.4%	8.8%
Total	**100.0%**	**100.0%**

The relative weight of EU and non-EU revenue increased, with special regard to the sales recorded both in Countries of the European Community (France, Spain, Germany and Benelux) and in Russia, Asia and other Extra CEE countries. As a percentage of revenue, the Retail channel increased by 5.1%, to 18% for the three months ended March 31, 2014 from 12.9% for the three months ended March 31, 2013, due to the opening of two new stores in Belgium during 2013 and one new store in Spain in the first quarter of 2014.

Other income and internally generated assets are composed of:

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Rental income	14,588	29,310	(14,722)
Reimbursements	44,303	17,462	26,841
Ordinary gains	3,363	175	3,188
Prior year income	49,504	199,445	(149,941)
Other revenue	18,495	58,622	(40,127)
Internally generated assets	410,424	55,465	354,959
Total other income and internally generated assets	**540,677**	**360,479**	**180,198**

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 37,404.

Internally generated assets, amounting to Euro 410,424, mainly refer for Euro 55,025 to the implementation of the new management software of the retail channel "Store2", for Euro 78,477 to project development of Online Shopping, for Euro 44,690 to the acquisition and implementation of the "PLM" software for the management of the product registration information, for Euro 153,228 to the employee costs related to development of the new Oracle JD Edwards management software, for Euro 24,091 to employee costs relating to the new personnel management software and for Euro 54,913 to the design of the new offices.

Note 19—Operating costs

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Purchase of raw materials, goods and changes in inventory	12,498,075	12,633,783	(135,708)
Cost of services	17,814,177	16,622,255	1,191,922
Rent	2,492,989	1,700,697	792,292
Personal costs	5,310,576	3,675,392	1,635,184
Depreciation and Amortization	4,699,415	3,902,370	797,045
Write-downs of trade receivables	400,000	300,000	100,000
Provisions	61,000	—	61,000
Other operating costs	395,482	138,812	256,670
Total operating costs	**43,671,714**	**38,973,309**	**4,698,405**

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	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Raw materials, supplementary materials, consumables and goods	14,199,978	12,660,028	1,539,950
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,701,903)	(26,245)	(1,675,658)
Total purchase of raw materials, goods and changes in inventory	**12,498,075**	**12,633,783**	**(135,708)**

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

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Agent commissions	4,913,277	4,289,548	623,729
Marketing and advertising	3,699,422	3,489,722	209,700
External works	3,452,374	3,828,781	(376,407)
Logistics and transport	2,633,573	2,318,681	314,892
Administrative	904,545	689,157	215,388
Travelling expenses	383,647	194,294	189,353
Insurance	366,099	413,893	(47,794)
Other service costs	1,461,240	1,398,179	63,061
Total cost of services	**17,814,177**	**16,622,255**	**1,191,922**

Cost of services grew by 7%, less proportionally than Revenue (+20%). External works decreased by Euro 376,407, or 10%, mainly due to the increased purchase of externally produced products in place of outsourced products. The opening of new directly operated stores, which needs administrative and operative efforts, influenced Administrative and Travelling expenses, which both increased from the three months ended March 31, 2013 to the three months ended March 31, 2014. The reduction of Insurance expenses is due to the renegotiation of the existing contracts.

The breakdown of rent costs is as follows:

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Rent expenses for shop, outlet and showroom	2,212,365	1,408,992	803,373
Rent expenses for headquarters	191,890	217,096	(25,206)
Other rent expenses	88,734	74,609	14,125
Total rent	**2,492,989**	**1,700,697**	**792,292**

The increase in rent expenses for shop, outlet and showroom is related to the new store and outlet openings, both in Italy and abroad.

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

		Expected cash payments falling due in the year ending December 31,		
Rental Obligations[1]	Total	2014	2015-2018	2019 and thereafter
Directly Operated Stores and Outlet Rental	45,225,226	6,072,622	29,758,809	9,393,795
Showroom Rental	921,505	275,397	646,108	—
Civil and Industrial Buildings	2,601,366	437,094	1,851,806	312,466
Related to Tessitura Sidoti S.r.l.	641,198	158,371	463,890	18,937
Total rental obligations	**49,389,296**	**6,943,484**	**32,720,614**	**9,725,197**

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

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

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Salaries and wages	3,923,966	2,670,931	1,253,035
Social security contributions	1,140,840	829,651	311,189
Employee severance indemnities	245,770	174,810	70,960
Total personnel costs	**5,310,576**	**3,675,392**	**1,635,184**

Personnel costs increased following the increase in employees number of the Parent Company, both in the Retail channel and in headquarters of the company. As of March 31, 2014, the Group employed 491 employees (headcount). The following table shows the related breakdown by category and location, compared to previous year:

	As of March 31, 2014		As of March 31, 2013		Changes	
Employees number	Italy	Overseas	Italy	Overseas	Italy	Overseas
Senior Executives	4	—	3	—	1	—
Managers	15	—	11	—	4	—
Clerical/administrative staff	169	—	122	—	47	—
Workers	34	—	38	—	(4)	—
Retail staff	254	15	153	—	101	15
Total employees number	**476**	**15**	**327**	**0**	**149**	**15**
Combined total employees (Italy and abroad)	**491**		**327**		**164**	

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

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Change
Depreciation	405,178	253,848	151,330
Amortization	4,294,237	3,648,522	645,715
Total Depreciation and Amortization	**4,699,415**	**3,902,370**	**797,045**

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 395,482 (Euro 138,812 for the three months ended March 31, 2013) increased by Euro 256,670 compared to the same period of previous year and principally include gifts for Euro 258,657, stationery for Euro 60,159, prior year expenses for Euro 27,415 and losses for disposals of property, plant and equipment for Euro 13,036.

Note 20—Financial income and expenses

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Other financial income	17,848	3,317	14,531
Interest and other financial expenses	(2,697,270)	(2,489,374)	(207,896)
Foreign exchange gains/(losses)	(180,317)	393,360	(573,677)
Total financial income/(expenses)	**(2,859,739)**	**(2,092,697)**	**(767,042)**

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	Three months ended March 31, 2014	three months ended March 31, 2013	Changes
Shareholder loan interests	1,311,941	1,201,667	110,274
Bank interests	1,372,066	1,287,677	84,389
Loan interests	1,216,271	1,163,886	52,385
Overdraft and short-term loan interests	9,247	7,541	1,706
Bank charges	146,548	116,250	30,298
Other interest expenses	13,263	30	13,233
Total interest and other financial expenses	**2,697,270**	**2,489,374**	**207,896**

The most significant expenses refer to interest accrued on Shareholder loan (Euro 1,311,941) and on other loans (Euro 1,216,271). Relating to this latter item, interests accrued on Senior Loan and on Capex Line amounted to Euro 910,860 and Euro 286,080 respectively. The residual Euro 19,331 refers to other loans.

Bank charges, amounting to Euro 146,548, principally include commissions on the unused Revolving Line (Euro 131,182).

Exchange gains and losses are composed of:

	Three months ended March 31, 2014			Three months ended March 31, 2013		
In Euro	Total	Gains	Losses	Total	Gains	Losses
Realised exchange gains/losses	205,751	(18,734)	224,485	(393,353)	(437,393)	44,040
Unrealised exchange gains/losses	(25,434)	(26,215)	781	(7)	(7)	—
Total exchange gains/(losses)	**180,317**	**(44,949)**	**225,266**	**(393,360)**	**(437,400)**	**44,040**

Note 21—Extraordinary income and expenses

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Extraordinary income	2	—	2
Extraordinary expenses	(100,931)	(189,906)	88,975
Total extraordinary income/(expenses)	**(100,929)**	**(189,906)**	**88,977**

Extraordinary expenses principally include prior year extraordinary under-accruals for Euro 91,388, goods theft for Euro 6,205, prior year taxes for Euro 1,033 and other extraordinary expenses for Euro 2,097.

Note 22—Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

In Euro	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Current taxes	(3,615,547)	(2,981,787)	(633,760)
Deferred taxes	107,468	107,468	—
Prepaid taxes	48,071	(801,659)	849,730
Total income tax	**(3,460,008)**	**(3,675,978)**	**215,970**

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 three months ended March 31, 2014			Increases for the three months ended March 31, 2014			As of March 31, 2014		
Description of temporary differences	**Assessable**	**%**	**Tax (a)**	**Assessable**	**%**	**Tax (b)**	**Assessable**	**%**	**Tax (c)**	**Assessable**	**%**	**Tax (a-b+c)**
Amortization of intangible assets	131,690	31.4	41,351	—	31.4	—	—	31.4	—	131,690	31.4	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	—	27.5	—	21,412	27.5	5,888	2,222,603	27.5	611,217
Obsolescence provision	3,759,083	31.4	1,180,353	351,903	31.4	110,497	—	31.4	—	3,407,180	31.4	1,069,856
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	31.4	63	—	31.4	—	—	31.4	—
Provision for risks and returns	2,748,968	27.5	781,317	—	27.5	—	61,000	27.5	16,775	2,809,968	27.5	798,092
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	31.4	53,923	604,748	31.4	189,891	604,748	31.4	189,891
Total	10,063,503		2,962,094	523,831		164,483	687,160		212,554	10,226,833		3,010,166

Deferred tax liability In Euro	As of December, 31 2013			Decreases for the three months ended March 31, 2014			Increases for the three months ended March 31, 2014			As of March 31, 2014		
Description of temporary differences	**Assessable**	**%**	**Tax (a)**	**Assessable**	**%**	**Tax (b)**	**Assessable**	**%**	**Tax (c)**	**Assessable**	**%**	**Tax (a-b+c)**
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	342,254	31.4	107,468	—	31.4	—	25,665,277	31.4	8,058,897
Totale	26,165,375		8,218,127	342,254		107,468	—		—	25,823,121		8,110,659

Deferred tax assets mainly refer to obsolescence provision, 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	Three months ended March 31, 2014	Three months ended March 31, 2013	Changes
Board of Directors	308,998	190,048	118,950
Board of Statutory Auditors	13,520	10,000	3,520
Independent Auditors	61,356	52,493	8,863
Total remuneration	**383,874**	**252,541**	**131,333**

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 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 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.

TWIN-SET

SIMONA BARBIERI

TWIN SET—SIMONA BARBIERI S.r.l.

Consolidated Financial Statements
as of and for the year ended
December 31, 2013

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 PREPARED FOR THE SOLE PURPOSE OF INCLUSION IN THE OFFERING MEMORANDUM

To the Board of Directors of
TWIN SET—SIMONA BARBIERI S.r.l.

1. We have audited the consolidated financial statements of Twin Set—Simona Barbieri S.r.l. (the "Company") and subsidiaries (the "Twin Set—Simona Barbieri Group") as of December 31, 2013 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared solely for inclusion in the offering memorandum (the "Offering Memorandum") prepared in connection with the Company's issuance of senior secured notes to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. The Directors of the Company are responsible for the preparation of these Consolidated Financial Statements in accordance with the accounting principles issued by OIC (Organismo Italiano di Contabilità), the Italian Accounting Body ("Italian GAAP"). Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements included in the Offering Memorandum, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on June 24, 2014. In addition, data of 2012 pro-forma unaudited consolidated income statement ("2012 unaudited Pro-Forma Consolidated Income Statement") have been presented, based on the assumptions described in the explanatory notes, in order to report retrospectively to January 1, 2012 the effect of the acquisition occurred in 2012. The 2012 unaudited Pro-Forma Consolidated Income Statement has been examined by us only for the purpose of expressing our opinion on the Consolidated Financial Statements of Twin Set—Simona Barbieri Group as of December 31, 2013. As a result we do not express any opinion on the 2012 unaudited Pro-Forma Consolidated Income Statement.

3. In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Twin Set—Simona Barbieri Group as of December 31, 2013, and of the results of its operations for the year then ended in accordance with the Italian GAAP.

4. The Company has prepared for statutory purposes a separate set of consolidated financial statements for the year ended December 31, 2013 in accordance with the Italian law governing financial statements on which we issued a separate auditor's report to the shareholders of the Company dated April 14, 2014.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Partner

Milan, Italy
June 24, 2014

CONSOLIDATED BALANCE SHEET
As of December 31, 2013

In Euro	Notes	As of December 31, 2013	As of December 31, 2012
Assets			
Intangible assets	5	255,469,200	250,397,648
of which goodwill	5	204,660,110	206,832,527
Property, plant and equipment	6	7,339,267	3,862,538
Other financial assets	7	90,931	5
Total intangible assets, PP&E and other financial assets		**262,899,398**	**254,260,191**
Inventories	8	53,629,117	39,843,844
Trade receivables	9	44,499,345	38,069,929
Tax receivables	9	4,782,464	1,691,846
Deferred tax assets	9	2,962,094	5,085,352
Other receivables	9	1,873,681	2,660,804
Cash and cash equivalents	10	14,290,478	13,095,347
Total current assets		**122,037,179**	**100,447,122**
Accrued income & prepaid expenses	11	667,057	500,396
Total assets		**385,603,634**	**355,207,709**

In Euro	Notes	As of December 31, 2013	As of December 31, 2012
Liabilities and Shareholders' equity			
Shareholders' equity			
Share capital	12	522,400	500,000
Reserves	12	160,195,262	153,200,000
Retained earnings	12	(2,090,010)	(1)
Profit/(loss) for the year	12	3,359,793	(2,090,010)
Total Group Shareholders' equity		**161,987,445**	**151,609,989**
Equity attributable to non-controlling interests	12	14,723	19,835
Total Shareholders' equity		**162,002,168**	**151,629,824**
Liabilities			
Provisions for risks and charges	13	4,912,452	3,278,601
Deferred tax liabilities	22	8,218,127	8,618,733
Provisions for employee severance indemnities	14	474,643	283,981
Shareholder loan	15	77,285,818	72,164,167
Bank loans	15	74,907,050	67,655,200
Client advances	15	1,420,447	—
Trade payables	15	51,319,631	36,389,519
Tax payables	15	939,937	3,794,987
Social security payables	15	878,805	638,790
Other payables	15	2,977,851	10,475,006
Accrued expenses and deferred income	16	266,705	278,901
Total liabilities		**223,601,466**	**203,577,885**
Total liabilities and shareholders' equity		**385,603,634**	**355,207,709**
Memorandum accounts			
Guarantees	17	3,393,363	2,236,600
Other memorandum accounts	17	17,500,281	13,124,318
Commitments related to the business rented by Tessitura Sidoti S.r.l.	17	—	(18,948)
Total Memorandum accounts		**20,893,644**	**15,341,970**

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2013

In Euro	Notes	Year ended December 31, 2013	Period from June 15 to December 31, 2012
Income statement			
Revenue	18	177,700,731	73,701
Other income and internally generated assets	18	2,327,947	211,234
Change in work in progress, semifinished and finished product inventories	18	13,697,474	(29,503)
Total revenue and income		**193,726,152**	**255,432**
Purchase of raw materials, goods and changes in inventory	19	72,800,457	102
Cost of services	19	54,118,244	240,929
Rent	19	7,522,441	1,062
Personnel costs	19	16,488,074	152,860
Depreciation and Amortization	19	17,653,671	450,342
Write-downs of trade receivables	19	1,319,771	—
Provisions	19	50,000	—
Other operating costs	19	1,170,152	3,672
Total operating costs		**171,122,810**	**848,967**
Operating profit		**22,603,342**	**(593,535)**
Financial income/(expenses)	20	(10,627,519)	(4,004,044)
Impairment of investments		—	—
Extraordinary income/(expenses)	21	(1,600,418)	1
Profit/(loss) before tax		**10,375,405**	**(4,597,578)**
Income tax	22	(7,020,726)	2,507,568
Profit/(loss) for the year		**3,354,679**	**(2,090,010)**
Attributable to non-controlling interests		*(5,114)*	—
Attributable to the Group		*3,359,793*	*(2,090,010)*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2013

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period/ year	Total
As of June 15, 2012 (date of incorporation)	10,000	0	0	0	0	10,000
Share capital increase of July 18, 2012	490,000	153,200,000				153,690,000
Loss for the period					(2,090,010)	(2,090,010)
Other			(1)			(1)
As of December 31, 2012	500,000	153,200,000	(1)	0	(2,090,010)	151,609,989
Share capital increase of June 20, 2013	22,400	6,995,262				7,017,662
Allocation of previous period loss				(2,090,010)	2,090,010	0
Profit for the year					3,359,793	3,359,793
Other			1			1
As of December 31, 2013	522,400	160,195,262	0	(2,090,010)	3,359,793	161,987,445
Total Group Shareholders' equity						161,987,445
—Capital and reserves attributable to non-controlling interests						19,837
—Loss for the year attributable to non-controlling interests						(5,114)
Total equity attributable to non-controlling interests						14,723
Total Shareholders' equity						162,002,168

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2013

	In Euro	Year ended December 31, 2013	Period from June 15 to December 31, 2012
A	NET CASH AT THE BEGINNING OF THE YEAR*	12,056,319	10,000
B	NET CASH FLOW FROM ACQUISITION OF LIGHT FORCE S.R.L.	—	2,390,437
	Net cash flow from operating activities		
	Profit/(loss) for the year	3,354,679	(2,090,010)
	Amortization	15,782,857	447,059
	Depreciation	1,870,814	3,283
	Interest expense on shareholders' loan	5,121,651	3,984,173
	Gains/(losses) from disposals of assets	145,056	—
	Changes in deferred tax assets and liabilities	1,722,652	(2,507,568)
	Changes in provisions for risks and charges	1,633,852	—
	Changes in employee severance indemnities	36,217	(734)
	Net cash flow from operating activities before changes in net working capital	29,667,778	(163,797)
	Changes in inventories	(13,785,273)	29,502
	Changes in trade receivables	(6,429,416)	10,745,530
	Changes in trade and other payables	13,243,836	(2,509,756)
	Net change in other working capital items	(2,610,851)	178,960
	Change in net working capital	(9,581,704)	8,444,236
	Interest paid	—	(1,773,654)
C	NET CASH FLOW FROM OPERATING ACTIVITIES	20,086,074	6,506,785
	Net cash flow from investing activities		
	Investments in intangible assets	(20,723,503)	(4,407,678)
	Acquisition of Light Force	—	(275,912,045)
	Investments in property, plant and equipment	(5,370,324)	—
	Payment of Earn-out debt	(7,017,662)	—
	Purchase of business branch previously rented by Sidoti	(55,785)	—
	Disposals of property, plant and equipment	6,819	—
D	NET CASH FLOW FROM INVESTING ACTIVITIES	(33,160,455)	(280,319,723)
	Net cash flow from financing activities		
	Repayments of loans	(5,291,865)	(221,179)
	Issue senior Loan	—	60,000,000
	Issue vendor Loan	—	70,000,000
	New borrowings from banks	13,000,000	—
	Capital increase and other variations	22,400	489,999
	Share premium received	6,995,262	153,200,000
E	NET CASH FLOW FROM FINANCING ACTIVITIES	14,725,797	283,468,820
F	NET CASH FLOW FOR THE PERIOD (B+C+D+E)	1,651,416	12,046,319
G	NET CASH AT THE END OF THE YEAR* (A+F)	13,707,735	12,056,319

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

TWIN-SET

SIMONA BARBIERI

TWIN SET—SIMONA BARBIERI S.r.l.

Explanatory Notes
to the Consolidated Financial Statements
as of and for the year ended
December 31, 2013

Note 1—General information

TWIN SET—Simona Barbieri (the "Parent Company") and its subsidiaries Tessitura Sidoti, TS Shoes, TS Deutschland, TS Belgium, TS Spain and TS France (together with the Parent Company, the "Group") operates in the apparel market; in particular the Group designs and produces clothing, accessories and women's and girl's knitwear, marketed under the brands "TWIN SET—Simona Barbieri" and "SCEE by TWIN SET".

The Parent Company was incorporated on June 15, 2012 under the name "Fuori Dal Sacco 2 S.r.l." ("FDS2"), owned by the sole shareholder CEP III Partecipations S.à.r.l. SICAR (Luxembourg Registered Company). FDS2 was incorporated prior to and in conjunction with its acquisition of Light Force S.r.l. ("LF"), previously Light Force S.p.A., which operates in the design and production of women's clothing and accessories, marketed under the main brands "TWIN SET—Simona Barbieri" and "SCEE by TWIN SET".

On July 18, 2012, the Shareholders' Meeting of the Parent Company approved the paid-in share capital increase, from Euro 10,000 to Euro 500,000, with a share premium of Euro 153,200,000. The shareholding following the new issue of shares was as follows:

- CEP III Partecipations S.à.r.l. SICAR, nominal shareholding Euro 360,000, equal to 72% of the share capital;
- MO.DA GIOIELLI S.r.l., nominal shareholding Euro 140,000, equal to 28% of the share capital.

On July 25, 2012, FDS2 acquired 100% control of the share capital of LF, financing the acquisition through an increase in equity, as illustrated above, through an interest-bearing loan granted by the shareholder MO.DA GIOIELLI S.r.l., and through dedicated bank funding.

With deed of November 13, 2012 the Parent Company incorporated the subsidiary LF through a direct merger operation, undertaken through a "Leveraged Buy Out" (LBO), pursuant to Article 2501-*bis* of the Civil Code, through the following phases:

- Merger proposal of September 25, 2012, filed at the Modena Company Registration Office on October 1, 2012, for both participating companies;
- Merger motion of October 5, 2012, filed at the Modena Company Registration Office on October 10, 2012, for both participating companies;
- Merger deed of November 13, 2012, filed at the Modena Company Registration Office on December 17, 2012, for both participating companies.

Pursuant to the merger agreement, the determination of the purchase settlement was contingent upon the full year results of LF for the year ended December 31, 2012 and the results of operations through December 30, 2012 were attributable to LF's previous owners. Although the acquisition date of LF was June 15, 2012, as allowed by the accounting standards, the Parent Company consolidated the results of LF beginning December 31, 2012. Consequently, the 2012 income statement includes the consolidated results of operations from June 15, 2012 through December 31, 2013; however, only one day of the operations of LF is attributable to the Parent Company based on the terms of the merger agreement.

From the effective date of the operation, the Parent Company changed its name to "TWIN SET—Simona Barbieri S.r.l."

The merger of LF into FDS2 gave rise to an excess of Euro 222,276,493 between the fair value of the investment of FDS2 in LF at December 30, 2012 (Euro 282,912,045) over the net equity at the same date of LF (Euro 60,635,552). In accordance with O.I.C. No. 4, that excess was allocated for Euro 27,380,297 to the value of the main brand "TWIN SET—Simona Barbieri", on the basis of an independent expert's opinion of May 23, 2013, prepared by Mr. Andrea Bossola and for the residual Euro 203,493,609 to goodwill, including deferred taxes of Euro 8,597,413, calculated as 31.4% of the value allocated to the above-mentioned brand.

The consolidated financial statements as of and for the year ended December 31, 2013 report a net profit of Euro 3,359,793, after Depreciation and Amortization of Euro 17,653,671, write-downs of trade receivables of Euro 1,319,771, net financial expenses of Euro 10,627,519 and income taxes of Euro 7,020,726, for which please refer to the comments of the present document.

Note 2—Basis of presentation

These special purposes consolidated financial statements (the "Consolidated Financial Statements") have been prepared solely for the purposes of their inclusion in the offering memorandum to be prepared in connection with the Company's issuance of senior secured floating rate notes (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S (and only to investors who, if resident in a member state of the European Economic Area, are qualified investors under Directive 2003/71/EC, as amended (the "**Prospectus Directive**")). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market upon their issuance. In addition, application will be made to Borsa Italiana S.p.A. for listing of the notes on the ExtraMOT, Professional Segment upon their issuance.

The Consolidated Financial Statements have been prepared based on the consolidated financial statements of the Group as of and for each of the years ended December 31, 2013 and 2012, which were approved by the Board of Directors on March 29, 2014 and on May 30, 2013, respectively. In particular, the Consolidated Financial Statements have been prepared in order to reclassify the balance sheet and income statement in a manner more similar to international format. No changes have been made to the relevant figures previously reported in the balance sheet and income statement of December 31, 2013 consolidated financial statements. The Consolidated Financial Statements were approved by the Company's Board of Directors on June 23, 2014.

The Consolidated Financial Statements include the consolidated balance sheet, the consolidate income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the explanatory notes and have been prepared in accordance with Legislative Decree No. 127/1991, pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement as interpreted and integrated 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.). Such rules are collectively referred to Italian Generally Accepted Accounting Principles ("Italian GAAP").

The items reported in the financial statements have been stated in accordance with the general principles of prudence and accruals and with an appropriate going concern basis, which covers at least twelve months from the 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 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 comparative year refers to the consolidated financial statements as of December 31, 2012.

The Consolidated Financial Statement are the first consolidated financial statements prepared for a complete 12 months of the Group, and therefore, in accordance with the accounting standards two attachments (Attachment A and Attachment B) are provided, only for income statement and cash flow statement purposes, including the amounts resulting from 2012 unaudited Pro-Forma consolidated financial statements ("2012 unaudited Pro-Forma Consolidated Income Statement") as if the acquisition had occurred at the beginning of 2012.

For the purposes of a better understanding of the changes occurred during the year ended December 31, 2013, with particular reference to the significance of the acquisition of control described above, in accordance to O.I.C. 17, the 2012 unaudited Pro-Forma Consolidated Income Statement was prepared (Attachment A) in order to report retrospectively to January 1, 2012 the effects of that acquisition. 2012 unaudited Pro-Forma Consolidated Income Statement was prepared considering 12 months of activity (January 1, 2012—December 30, 2012) of the acquired LF (subsequently incorporated into Twin Set), the full year of the subsidiary Tessitura Sidoti S.r.l., a subsidiary wholly owned by LF, and the full year of the incorporated Twin Set (June 15, 2012—December 31, 2012 and, therefore, inclusive of the day of December 31, 2012 concerning the transactions of LF), adjusted by the transactions between the participants of the merger and for simplification without application of the amortization of the gains paid and the financial effects related to the loans obtained from the acquisition.

Note 3—Consolidation area and basis of consolidation

Consolidation area

Company	Country	Net profit/(loss)	Net equity	Year-end	Holding	Carrying value	Consolidation method
TWIN SET—SIMONA BARBIERI S.R.L.	Italy	3,734,433	162,362,085	31/12/2013			
TS SHOES SRL UNIPERSONALE	Italy	(738)	9,262	31/12/2013	100%	91,640	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	(44,321)	181,594	31/12/2013	90%	45,000	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(2,499)	22,501	31/12/2013	100%	37,720	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(339,568)	679,032	31/12/2013	99.99%	1,042,216	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(35,900)	(32,900)	31/12/2013	100%	4,626	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	0	37,500	31/12/2013	100%	50,765	Line-by-line

The 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 accounted for the cost method.

Basis of consolidation

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

The subsidiaries are included in the 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 Consolidated Financial Statements are consolidated on a line-by-line basis, accounting for the non-controlling interest in a proper line item in the Shareholders' equity and in the consolidated income statement.

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

- ➤ The carrying amount of investments in consolidated company is 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 intangible assets and amortized over its estimated useful life;
- ➤ All payables, receivables, revenue 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 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 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 assets 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 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	18/20 years
Goodwill	18/20 years/duration of underlying contracts (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contracts (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 life 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	10.0%
Plant & machinery	12.5%, duration of underlying contract (residual rental duration)
Industrial & commercial equipment	25.0%
EDP	20%, 33,3%
Furniture & fittings	10%, 12%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516 (for Italy)	100.0%

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 cost adopted is the purchase cost while for goods produced by Group companies cost adopted is the production cost. 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 criteria 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 reasons that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.

Even all other receivables are 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 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 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 consolidated financial statements.

Revenue and Costs

Revenue 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 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 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 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 (Item C.17 -bis). 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 consolidated financial statements requires management's estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the balance sheet date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from the 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 concerned 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 year were as follows:

Account	Year ended December 31, 2012	As of December 31, 2012			Changes in the year					As of December 31, 2013		
							Decreases					
In Euro	Amortization	Historical cost	Accumulated depreciation	Net book value	Additions	Reclass.	Hist. cost	Acc. deprec.	Amortization	Historical cost	Accumulated depreciation	Net book value
Start up and formation expenses	(80,684)	604,753	(225,378)	379,375	266,441	—	—	—	(89,856)	871,194	(315,234)	555,960
Industrial patents and intellectual property rights	(258,572)	1,368,404	(696,458)	671,946	1,467,926	218,167	(35,141)	32,530	(709,931)	3,019,356	(1,373,859)	1,645,497
Concessions, licenses, trademarks and similar rights	(69,448)	28,549,865	(436,866)	28,112,999	33,195	—	—	—	(1,436,558)	28,583,060	(1,873,424)	26,709,636
Goodwill	(247,236)	207,438,913	(606,386)	206,832,527	8,710,541	—	—	—	(10,882,958)	216,149,454	(11,489,344)	204,660,110
Assets in progress and advances	—	337,086	—	337,086	1,640,548	(280,694)	—	—	—	1,696,940	—	1,696,940
Other intangible assets	(1,562,199)	17,756,308	(3,692,593)	14,063,715	8,770,872	62,527	(50,196)	17,693	(2,663,554)	26,539,511	(6,338,454)	20,201,057
Total intangible assets	(2,218,139)	256,055,329	(5,657,681)	250,397,648	20,889,523	—	(85,337)	50,223	(15,782,857)	276,859,515	(21,390,315)	255,469,200

Start up and formation expenses include incorporation and formation expenses incurred by the Parent Company and its subsidiaries.

These expenses increased during the year, principally due to the costs for incorporation of foreign subsidiaries and the company Twin Set Shoes, as well as costs incurred by Tessitura Sidoti in relation to the acquisition of assets previously leased from Oldtex.

Industrial patents and intellectual property rights include the costs for software licenses for indefinite use, principally held by the Parent Company.

The increases principally refer for Euro 374,702 to the costs incurred for the internally realization of the new online shopping management software, for Euro 281,841 to the purchase and implementation of the new retail channel "Store 2" management software (a project completed in December 2013), for Euro 62,400 to the purchase of intellectual property rights for the "Concept" designed for the Twin Set—Simona Barbieri sales points and for Euro 719,784 to new infrastructural solutions and updating of the current management 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, principally "Baby TWIN SET" and "Girl". The Parent Company invested Euro 33,195 during 2013 in order to register new trademarks and maintain existing trademarks.

This account includes also the previously described 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 premium price	Book value as of December 31, 2013
"Twin Set—Simona Barbieri" trademark	8,071	1,000,000	140,724	27,380,297	28,529,092

Goodwill refers to the costs incurred by the Parent Company connected to Retail development. The account also includes, for Euro 193,291,053, the net book value of goodwill resulting from the allocation of premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years. The increase in the year is primarily due for Euro 8,487,589 to the goodwill paid for the acquisition of the new boutique in Rome, Via del Corso, opened in September 2013, and for Euro 160,000 to the goodwill recorded by Tessitura Sidoti in connection to the business unit acquisition occurred on May 22, 2013. The amount paid for the entire operation was Euro 260,000.

Assets in progress and advances, amounting to Euro 1,640,548, are due for Euro 687,424 to the purchase and implementation of Oracle JD Edwards management system, which is expected to be concluded in the third quarter of 2014; for Euro 420,363 to the development of the retail channel (charges for subscribing rental contracts, specifically for the boutiques of Bari, opened in March 2014, Valencia, opened in January 2014, Berlin and Palermo, whose openings are planned in the first half of 2014). The increase is also due for Euro 76,478 to the internal project development of online shopping, including the "mobile" project and for Euro 75,976 to the costs for the acquisition and implementation of the "PLM" management software.

Other intangible assets mainly include leasehold improvements (Euro 5,710,911), key money paid to secure leases in strategic locations (Euro 9,364,929) and finance expenses for Senior Loan obtained by the Parent Company from a syndicate of banks led by UniCredit S.p.A. (Euro 5,117,852) and, consequently, amortized over the contract duration.

The most significant increases of the year refer to the key money paid during 2013 by the Parent Company, TS Belgium and TS Spain as restructuring expenses incurred for the opening of new sales points.

Impairments

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

Note 6—Property, plant and equipment

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

Account	Year ended December 31, 2012	As of December 31, 2012			Changes in the year					As of December 31, 2013		
							Decreases					
In Euro	Depreciation	Historical cost	Accumulated depreciation	Net book value	Additions	Reclass.	Hist. cost	Acc. deprec.	Depreciation	Historical cost	Accumulated depreciation	Net book value
Land and buildings	(514)	5,138	(3,540)	1,598	24,743	—	—	—	(1,751)	29,881	(5,291)	24,590
Plant and machinery	(515,600)	7,694,442	(6,126,668)	1,567,775	2,628,377	—	(104,938)	78,540	(610,639)	10,217,881	(6,658,767)	3,559,114
Industrial and commercial equipment	(446,088)	2,981,704	(1,059,749)	1,921,955	2,384,398	—	(178,795)	99,220	(1,014,608)	5,187,307	(1,975,137)	3,212,170
Other tangible assets	(239,474)	1,569,538	(1,198,328)	371,210	403,125	—	(30,965)	20,643	(243,816)	1,941,698	(1,421,501)	520,197
Construction in progress and advances	—	—	—	—	23,196	—	—	—	—	23,196	—	23,196
Total property, plant and equipment	(1,201,676)	12,250,822	(8,388,285)	3,862,538	5,463,839	—	(314,698)	198,403	(1,870,814)	17,399,963	(10,060,696)	7,339,267

Land and buildings refers to light constructions. The increase of the year mainly refers to the purchases related to the subsidiary Tessitura Sidoti resulting from the business unit acquisition previously described.

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

Increases, amounting to Euro 2,628,377, refer for Euro 2,066,288, to the investments made by the Parent Company during the year, principally for electric, illumination and video surveillance for the new boutiques and outlets of Bolzano, Udine, Padua, Verona, Milan Vercelli, Rome Via del Corso, Rome Porta di Rome, Rome Cola di Rienzo and Bologna, and for the restyling of the Reggio Emilia, Milan Manzoni, Riccione, Serravalle, Noventa, Castelromano, Vicolungo and Franciacorta stores. The residual increase is due to TS Belgium investments for the restyling of the two new boutiques at Antwerp and Brussels and to the purchase of production plant by the subsidiary Tessitura Sidoti, a part of which acquired within the business unit acquisition previously described.

Following the above-mentioned restyling, disposals were made by the Parent Company during the year for a net amount of Euro 26,398.

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

Increases, amounting to Euro 2,384,398, refer for Euro 2,119,178 to the purchases of fittings made by the Parent Company for the new boutiques at Bolzano, Udine, Padua, Verona, Milan Vercelli, Rome Via del Corso, Rome Porta di Rome, Rome Cola di Rienzo and Vicolungo, and for the restyling of Reggio Emilia, Milan Manzoni, Riccione, Serravalle, Noventa, Castelromano, Vicolungo and Franciacorte; for Euro 249,916 to the purchase by the subsidiary TS Belgium of commercial equipment for the two new boutiques at Antwerp and Brussels and for the residual amount to investments made by the subsidiary Tessitura Sidoti within its ordinary operating activities.

The disposals of the year, for a net amount of Euro 79,575, refer to the Parent Company for the normal restyling activities of the boutiques.

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

Increases, amounting to Euro 403,125, refer to the purchase of ordinary assets by the Parent Company (Euro 332,689), Tessitura Sidoti (Euro 61,989) and TS Belgium (Euro 8,447). The restylings occurred during the year gave rise to disposals for a net book value of Euro 9,422.

Asset disposals during the year, together with the above-mentioned disposals, generated total losses for Euro 145,661, recorded under other operating costs, and gains for Euro 605, recorded under other income and internally generated assets.

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:

	As of December 31, 2012				Changes in the year		As of December 31, 2013			
In Euro	Cost	Reval.	Write-down	NBV	Increases	Decreases	Cost	Reval.	Write-down	NBV
Investments in										
—other companies	5	—	—	5	—	—	5	—	—	5
Receivables										
—other companies	—	—	—	—	90,926	—	90,926	—	—	90,926
Total other financial assets	5	—	—	5	90,926	—	90,931	—	—	90,931

The investments in other companies for Euro 5 refer to the investment in the Obligatory National Packaging Consortium (CONAI).

Financial receivables of Euro 90,926 refer to guarantee deposits related to the business unit rental contract subscribed with Oldtex S.r.l., as previously described.

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:

	As of December 31, 2013		As of December 31, 2012		Changes	
In Euro	Gross	Net	Gross	Net	Gross	Net
Raw materials, consumables and goods	5,839,691		5,814,318		25,373	
—obsolescence provision	(908,489)		(771,000)		(137,489)	
		4,931,202		5,043,318		(112,116)
Work-in-progress and semi-finished products	3,360,261		3,659,526		(299,265)	
—obsolescence provision	—		—		—	
		3,360,261		3,659,526		(299,265)
Finished goods	48,188,248		34,466,808		13,721,440	
—obsolescence provision	(2,850,594)		(3,325,808)		475,214	
		45,337,654		31,141,000		14,196,654
Total inventories		53,629,117		39,843,844		13,785,273

The inventories consist of:

- raw materials, consumables and goods, amounting to Euro 4,931,202, net of the obsolescence provision of Euro 908,489 (Euro 771,000 as of December 31, 2012), relating to yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 3,360,261, representing clothing and garments in production not yet completed at year end;
- finished goods, amounting to Euro 45,337,654, net of the relative obsolescence provision of Euro 2,850,594 (Euro 3,325,808 as of December 31, 2012), including garments produced and complementary products distributed.

The increase in inventories compared to December 31, 2012 is principally due to the growth in turnover.

The obsolescence provisions, recorded as a direct reduction of inventories for a total amount of Euro 3,759,083, is calculated to represent the 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 December 31, 2013	As of December 31, 2012	Changes
Trade receivables	44,499,345	38,069,929	6,429,416
Tax receivables	4,782,464	1,691,846	3,090,618
Deferred tax assets	2,962,094	5,085,352	(2,123,258)
Other receivables	1,873,681	2,660,804	(787,123)
Total receivables	**54,117,584**	**47,507,931**	**6,609,653**

Trade receivables, amounting to Euro 44,499,345 as of December 31, 2013 (Euro 38,069,929 as of December 31, 2012), refer to the sale of products produced and distributed by the Parent Company for Euro 43,864,553 and by the subsidiary Tessitura Sidoti for Euro 634,792.

The change compared to previous year is principally attributable to the increase in turnover.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 2,221,950 as of December 31, 2013 (Euro 1,637,772 as of December 31, 2012), against the risk of potential losses. The movements of the provision in the year are as follows:

As of December 31, 2012	Utilizations	Provisions	Release	As of December 31, 2013
1,637,772	(735,593)	1,319,771	—	2,221,950

Tax receivables, amounting to Euro 4,782,464, mainly include VAT receivables for Euro 2,605,538 (Euro 1,357,786 as of December 31, 2012), related to the various group companies in respective countries, IRES reimbursement receivable of the Parent Company pursuant to Legislative Decree 201/2011 for Euro 242,177, IRES receivable for advances higher than tax payables of the Parent Company for Euro 1,606,767, VAT reimbursement receivable of the Parent Company for Euro 234,490 and other tax receivables for Euro 86,339.

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

Other receivables include deposits for Euro 501,135 (Euro 698,803 as of December 31, 2012), credit notes to be received for Euro 720,440 (Euro 1,223,712 as of December 31, 2012), supplier advances for Euro 219,107, receivables from suppliers for Euro 274,101 and other receivables for Euro 158,898.

As of December 31, 2012 the account also include employee receivables for Euro 410,967, related to the suspension of tax and contribution payments for companies located in the territories hit by the earthquake in May 2012. The amount has been paid within the terms of law by December 20, 2012.

Breakdown of receivables by geographic area

The geographic breakdown of trade receivables as of December 31, 2013 compared to December 31, 2012 is as follows:

Percentage	As of December 31, 2013 %	As of December 31, 2012 %
Italy	77.7%	77.9%
EU	19.0%	14.9%
Non EU	3.3%	7.2%
Total	**100.0%**	**100.0%**

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

Maturity of receivables

The maturity of receivables at December 31, 2013 is shown in the table below:

In Euro	Total	Amounts due within 1 year	Amounts due between 1 & and 5 years
Trade receivables	44,499,345	44,499,345	—
Tax receivables	4,782,464	4,782,464	—
Deferred tax assets	2,962,094	2,927,204	34,890
Other receivables	1,873,681	1,368,365	505,316
Total receivables	**54,117,584**	**53,577,378**	**540,206**

Note 10—Cash and cash equivalents

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

In Euro	As of December 31, 2013	As of December 31, 2012	Changes
Bank and postal accounts	14,230,542	13,031,676	1,198,866
Cheques	940	9,382	(8,442)
Cash on hand	58,996	54,289	4,707
Total cash and cash equivalents	**14,290,478**	**13,095,347**	**1,195,131**

For a better understanding of the changes in cash and cash equivalents, please refer to the consolidated cash flow statement presented at the beginning of the present document. For a better understanding of previous year changes in cash and cash equivalents, please also refer to the unaudited Pro-forma consolidated cash flow statement for the year ended December 31, 2012 attached to the present Explanatory Notes (Attachment B).

Note 11—Accrued income and prepaid expenses

Accrued income and prepaid expenses as of December 31, 2013, amounting to Euro 667,057, include accrued income related to services for Euro 200 (Euro 10,570 as of December 31, 2012) and the following prepaid expenses:

In Euro	As of December 31, 2013	As of December 31, 2012	Changes
Trade fairs	103,943	66,126	37,817
Hire	50,848	62,936	(12,088)
Rental	198,569	151,184	47,385
Audit	—	41,486	(41,486)
Services	220,605	72,103	148,502
Consultants	61,750	36,883	24,867
Agency fees	—	42,123	(42,123)
Sureties	8,580	4,315	4,265
Insurance	10,702	7,055	3,647
Franchising	6,942	—	6,942
Other	4,918	5,615	(697)
Total prepaid expenses	**666,857**	**489,826**	**177,031**

Services, amounting to Euro 220,605 (Euro 72,103 as of December 31, 2012) principally relate to assistance contracts, condominium and telephone expenses and store licenses. The increase compared to the previous year, amounting to Euro 148,502, is mainly due to assistance contracts.

Agency fees refer to 2013 Senior Loan fees charged by UniCredit Bank AG, Milan Branch, amounting to Euro 75,000 annually.

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

Note 12—Shareholders' equity

The following table provides details of the movements in shareholders' equity:

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period/ year	Total
As of December 31, 2012	500,000	153,200,000	(1)	—	(2,090,010)	151,609,989
Share capital increase of June 20, 2013	22,400	6,995,262				7,017,662
Allocation of previous period loss				(2,090,010)	2,090,010	0
Profit for the year					3,359,793	3,359,793
Other			1			1
As of December 31, 2013	522,400	160,195,262	—	(2,090,010)	3,359,793	161,987,445
Total Group Shareholders' equity						161,987,445
—Capital and reserves attributable to non-controlling interests						19,837
—Loss for the year attributable to non-controlling interests						(5,114)
Total equity attributable to non-controlling interests						14,723
Total Shareholders' equity						162,002,168

On June 20, 2013 a share capital increase of Euro 22,400 was approved (subscribed and paid-in for Euro 16,128 by the Shareholder CEP III Partecipations S.à r.l. SICAR and for Euro 6,272 by MO.DA Gioielli S.r.l.), with a total share premium of Euro 6,995,262. Such increase was connected to the payment made to previous owners of Light Force ("Earn Out") pursuant to the acquisition contract of

July 25, 2012. Following this operation, the share capital of the Parent Company amounts to Euro 522,400, fully paid-in.

Following these operations, the shareholders of the company are as follows:

Parent company	As of June 15, 2012 (incorporation date)	%	Increases	As of December 31, 2013	%
Shareholders					
CEP III PARTECIPATIONS S.A.R.L. SICAR	10,000	100%	366,128	376,128	72%
MO.DA GIOIELLI SRL	0	0%	146,272	146,272	28%
Total	**10,000**	**100%**	**512,400**	**522,400**	**100%**

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

Equity attributable to non-controlling interests amounts to Euro 14,723.

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

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

In Euro	Profit/(loss) for the year ended December 31, 2013	Equity as of December 31, 2013
Financial statements of TWIN SET—Simona Barbieri S.r.l.	3,734,433	162,362,085
—Elimination of carrying value of investments in subsidiaries		
Difference between carrying value and book value of net equity of subsidiaries		
Tessitura Sidoti S.r.l. (90% TS)	(39,889)	(39,889)
Release risk provision Sidoti	133,517	133,517
TS Shoes	(738)	(738)
TS Belgium	(339,568)	(339,568)
TS Spain	(35,900)	(35,900)
TS Deutschland	(2,499)	(2,499)
—Elimination of intercompany profit in stock:		
Elimination of profit in stock related to Tessitura Sidoti S.r.l.	(6,135)	(6,135)
Elimination of profit in stock related to TS Belgium	(83,428)	(83,428)
Profit/(loss) and equity attributable to the Group	**3,359,793**	**161,987,445**
Profit/(loss) and equity attributable to non-controlling interests	**(5,114)**	**14,723**
Consolidated profit/(loss) and equity	**3,354,679**	**162,002,168**

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 a specific business

The Parent Company does not have equity allocated to a specific business.

Note 13—Provisions for risks and charges

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

In Euro	As of December 31, 2012	Utilization	Provision	Release	As of December 31, 2013
Provision for pensions and similar obligations	1,572,989	(13,843)	362,953	—	1,922,099
Provision for taxation	—	—	241,385	—	241,385
Other provision for risks and charges	985,517	(85,537)	884,579	(376,518)	1,408,041
Provision for returns	690,927	—	650,000	—	1,340,927
Provisions for assets under rental	29,168	—	—	(29,168)	—
Total provisions for risks and charges	**3,278,601**	**(99,380)**	**2,138,917**	**(405,686)**	**4,912,452**

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.

The utilization of the year concern sums paid for the termination of agency contracts.

Provision for taxation refers to the provision accrued following the assessment made by Italian tax authorities.

Other provision for risks and charges relates to potential disputes with third parties, amounting to Euro 1,408,041. The utilization of the year mainly refer to settlements of agency contracts, while release relates to excessive estimated indemnities as of December 31, 2012, reversed within other income and internally generated assets.

Provision for returns is accrued on the basis of the estimated and expected returns relating to sales made during 2013.

Provision for assets under rental refers to restoration costs for assets leased by Tessitura Sidoti S.r.l., based on the business unit rental contract subscribed with Oldtex S.r.l., as previously described.

Note 14—Provision for employee severance indemnities

The provision reflects the liability due to employees as of December 31, 2013, less advances paid and transfers made to INPS Treasury Fund and Open Funds.

The changes during the year were as follows:

In Euro	As of December 31, 2012	Other increases	Provisions	Decreases	Payments	As of December 31, 2013
Severance indemnity liability	358,844	183,967	22,703	(27,195)	—	538,319
Advances	(111,699)	—	—	(6,972)	—	(118,671)
Payments to supplementary funds	36,836	—	171,801	(153,642)	—	54,995
Total provisions for employee severance indemnities	**283,981**	**183,967**	**194,504**	**(187,809)**	**—**	**474,643**

The column "other increases" refers to the personnel of the business unit of Rome, Via del Corso, acquired by the Parent Company in July 2013 together with the severance indemnity liability resulting from the business unit acquisition of Tessitura Sidoti, as previously described.

Note 15—Payables

The changes in payables are shown in the table below:

In Euro	As of December 31, 2013	As of December 31, 2012	Changes
Shareholder loan	77,285,818	72,164,167	5,121,651
Bank loans	74,907,050	67,655,200	7,251,850
Client advances	1,420,447	—	1,420,447
Trade payables	51,319,631	36,389,519	14,930,112
Tax payables	939,937	3,794,987	(2,855,050)
Social security payables	878,805	638,790	240,015
Other payables	2,977,851	10,475,006	(7,497,155)
Total payables	**209,729,538**	**191,117,669**	**18,611,869**

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 December 31, 2013 includes non cash interests accrued from the drawdown date, amounting to Euro 7,285,818 (Euro 2,164,167 as of December 31, 2012) 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 582,743 (Euro 1,039,028 as of December 31, 2012) and loans (all unsecured) for Euro 74,324,307 (Euro 66,616,172 as of December 31, 2012).

The following table reports the breakdown of bank loans as of December 31, 2013 compared to December 31, 2012:

In Euro	As of December 31, 2012	Changes in the year		As of December 31, 2013	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	809,569	(198,001)	—	611,568	29/12/2016	200,917	410,651	410,651	—
CARIGE	470,128	(149,218)	—	320,910	31/12/2015	156,588	164,322	164,322	—
BPER—SACE (2895788)	1,677,826	(549,843)	—	1,127,983	30/12/2015	559,222	568,761	568,761	—
BPER (3564210)	1,283,892	(292,927)	—	990,965	29/01/2017	298,487	692,478	692,478	—
BPER	56,527	(56,527)	—	—	—	—	—	—	—
BNL	808,437	(248,750)	—	559,687	02/01/2016	248,750	310,937	310,937	—
CENTROBANCA	750,000	(600,000)	—	150,000	10/02/2014	150,000	—	—	—
BANCA POP. COMM.& IND.	759,793	(196,599)	—	563,194	21/09/2016	200,906	362,288	362,288	—
UNICREDIT (term loan)	60,000,000	(3,000,000)	—	57,000,000	29/06/2018	7,500,000	49,500,000	49,500,000	—
UNICREDIT (capex line)	—	—	13,000,000	13,000,000	31/12/2018	—	13,000,000	13,000,000	—
Total bank loans	66,616,172	(5,291,865)	13,000,000	74,324,307		9,314,870	65,009,437	65,009,437	—

The residual loan of Euro 57,000,000 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 year the first two instalments were repaid for a total amount of Euro 3,000,000. Interests are 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 residual Euro 42,750,000.

- 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 within the end of each year. During 2013 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 December 31, 2018, in accordance with a pre-determined repayment plan. During 2013 this line was partially utilized for Euro 13,000,000 to finance Retail channel investments.

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 both 2013 quarters and year end.

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

Client advances, amounting to Euro 1,420,447, refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 51,319,631, refer to supply of goods and services for Euro 43,779,656 and to agents commissions for Euro 7,539,975.

The increase compared to December 31, 2012 of Euro 14,930,112 is mainly attributable to the increased business activities.

Tax payables, amounting to Euro 939,937 (Euro 3,794,987 as of December 31, 2012) are exposed net of advances paid and withholding taxes receivables. This account is composed by withholding taxes on employees and professionals for Euro 730,824 (Euro 507,421 as of December 31, 2012), IRAP payables for Euro 204,439 (Euro 511,007 at December 31, 2012) and other tax payables for Euro 4,609.

Social security payables, amounting to Euro 878,805 (Euro 638,790 as of December 31, 2012), refer to INPS payables for Euro 751,569 (Euro 515,426 as of December 31, 2012), ENASARCO for Euro 109,903 (Euro 97,776 as of December 31, 2012), INAIL for Euro 843 (Euro 14,956 as of December 31, 2012) and other social security institutions for Euro 16,489 (Euro 10,632 as of December 31, 2012).

Other payables, amounting to Euro 2,977,851 (Euro 10,475,006 as of December 31, 2012), include payables to employees for salary, vacation not taken, additional salary (called 13th and 14th months) and the relative social contributions for Euro 2,366,914 (Euro 1,618,648 as of December 31, 2012), payables for deposits received from contract manufacturers for Euro 79,275 (Euro 63,470 as of December 31, 2012), 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 531,662 (Euro 1,603,341 as of December 31, 2012), including payables to customers not offsettable with trade receivables for Euro 406,250 (Euro 1,558,435 as of December 31, 2012).

The main change compared to previous year is due to the payment to previous owners of Light Force, in July 2013, of the "Earn Out" for Euro 7,000,000 related to the Light Force acquisition, as previously described, based on achieving certain profitability conditions of Light Force for the year 2012.

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	77,285,818	—	—	77,285,818
Bank loans	74,907,050	9,897,613	65,009,437	—
Client advances	1,420,447	1,420,447	—	—
Trade payables	51,319,631	51,319,631	—	—
Tax payables	939,937	939,937	—	—
Social security payables	878,805	878,805	—	—
Other payables	2,977,851	2,977,851	—	—
Total payables	**209,729,539**	**67,434,284**	**65,009,437**	**77,285,818**

Breakdown of payables by geographic area

The geographic breakdown of trade payables as of December 31, 2013 compared to December 31, 2012 is as follows:

Percentage	As of December 31, 2013 %	As of December 31, 2012 %
Italy	74.3%	74.1%
EU	4.1%	1.5%
Non EU	21.6%	24.4%
Total	**100.0%**	**100.0%**

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

Financial instruments

The Companies of the Group did not issue financial instruments.

Project finance loans

The Companies of the Group did not issue loans to a specific business.

Note 16—Accrued expenses and deferred income

This account amounts to Euro 266,705 as of December 31, 2013 and includes deferred income related to rents for Euro 200 (Euro 3,469 as of December 31, 2012) and the following accrued expenses:

In Euro	As of December 31, 2013	As of December 31, 2012	Changes
Interest—Revolving Line	92,000	90,315	1,685
Interest—Capex Line	46,667	94,078	(47,411)
Interest—Loan Line	10,473	10,473	—
Other loan interest	36,181	29,214	6,967
Rental fees and expenses	27,866	35,399	(7,533)
Services	3,822	—	3,822
Other	49,496	15,953	33,543
Total accrued expenses	**266,505**	**275,432**	**(8,927)**

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 3,393,363 (Euro 2,236,600 as of December 31, 2012).

In relation to the commitments related to USD forward purchase contracts in place as of December 31, 2013 amounting to Euro 17,500,281 (Euro 13,124,318 as of December 31, 2012), please refer to the following table:

Bank	Contract type	Amount (USD)	Operation date	Date init. util.	Maturity date	Forward Rate	Ctr Euro	Fair Value
BNL	Flexi forward	2,000,000	11/06/2013	02/01/2014	27/03/2014	1.3207	1,514,348	(64,791)
BNL	Flexi forward	3,000,000	11/06/2013	02/01/2014	27/03/2014	1.3207	2,271,523	(97,187)
BNL	Flexi forward	3,500,000	11/06/2013	01/04/2014	26/06/2014	1.3215	2,648,505	(111,341)
UniCredit	Flexi forward	5,000,000	22/10/2013	03/02/2014	29/07/2014	1.3748	3,636,893	(11,234)
UniCredit	Flexi forward	5,000,000	19/09/2013	28/05/2014	26/09/2014	1.3402	3,730,786	(105,229)
UniCredit	Flexi forward	5,000,000	19/09/2013	01/09/2014	29/12/2014	1.3520	3,698,225	(73,442)
Total		**23,500,000**					**17,500,281**	**(463,224)**

Finally, commitments related to the business unit rental contract connected to Tessitura Sidoti are no longer included in the memorandum accounts following the acquisition of the business unit by the company.

As of December 31, 2013, two Interest Rate Swap (IRS) contracts signed by the Parent Company were effective, for a residual nominal value of Euro 42,750,000, undertaken to partially hedge the interest rate risk on Senior loan, as previously described. The breakdown and fair value of these contracts as of December 31, 2013 is shown in the following table:

Counterparty	Amount	Operation date	Maturity date	Rate	Floater	Fair Value
BBVA	14,250,000	31/12/2012	31/12/2015	0.785%	Euribor 6M	(74,520)
UniCredit	28,500,000	31/12/2012	31/12/2015	0.780%	Euribor 6M	(142,224)
Total	**42,750,000**					**(216,744)**

Note—18 Revenue and income

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Revenue	177,700,731	144,534,642	73,701	33,166,089
Other income and internally generated assets	2,327,947	1,107,309	211,234	1,220,638
Change in work in progress, semifinished and finished product inventories	13,697,474	5,563,816	(29,503)	8,133,658
Total revenue and income	**193,726,152**	**151,205,767**	**255,432**	**42,520,385**

Revenue refers to sales occurred during the year through the various distribution channels—Retail (Euro 35,215 thousand), Wholesale (Euro 139,788 thousand) and Shop Online (Euro 2,698 thousand). These revenue refer for Euro 176,243,665 to the Parent Company, for Euro 841,573 to the subsidiary Tessitura Sidoti and for Euro 615,493 to the subsidiary TS Belgium.

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

As of December 31, 2013 the Group operated in the retail channel through 39 stores (27 directly-operated stores—DOS and 10 outlets located in Italy plus 2 DOS located outside of Italy). 11 DOS were opened during 2013, of which 9 DOS in Italy and 2 DOS outside of Italy.

Breakdown of revenue by geographic area

The geographic breakdown of revenue as of December 31, 2013 compared to December 31, 2012 is as follows:

Percentage	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2013
Italy	70.5%	70.2%	100.0%
EU	20.0%	20.5%	0.0%
Non EU	9.5%	9.3%	0.0%
Total revenue	**100%**	**100%**	**100%**

Other income and internally generated assets are composed of:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Other revenue from related companies	76,784	194,995	—	(118,211)
Rental income	54,574	155,353	112	(100,779)
Reimbursements	148,389	115,873	—	32,516
Ordinary gains	605	9,248	—	(8,643)
Service Agreement	—	—	208,322	—
Prior year income	1,120,287	269,319	—	850,968
Other revenue	279,545	166,544	2,800	113,001
Release of provisions	178,959	—	—	178,959
Internally generated assets	468,804	195,977	—	272,827
Total other income and internally generated assets	**2,327,947**	**1,107,309**	**211,234**	**1,220,638**

Other revenue from related companies includes the sales to Liviana Conti.

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

Reimbursements principally relate to the recovery of transport expenses recharged to clients for Euro 86,410.

In relation to release of provisions please refer to Note 13.

Internally generated assets, amounting to Euro 468,804, mainly refer for Euro 150,205 to the implementation of the new management software of the retail channel "Store2", for Euro 182,217 to project development of online shopping, for Euro 75,976 to the acquisition and implementation of the "PLM" software for the management of the product registration information and for Euro 60,406 to the development of the new Oracle JD Edwards management software.

Note 19—Operating costs

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Purchase of raw materials, goods and changes in inventory	72,800,457	53,476,986	102	19,323,471
Cost of services	54,118,244	44,243,870	240,929	9,874,374
Rent	7,522,441	5,002,221	1,062	2,520,220
Personnel costs	16,488,074	11,098,017	152,860	5,390,057
Depreciation and Amortization	17,653,671	3,419,815	450,342	14,233,856
Write-downs of trade receivables	1,319,771	593,521	—	726,250
Provisions	50,000	6,440	—	43,560
Other operating costs	1,170,152	755,822	3,672	414,330
Total operating costs	**171,122,810**	**118,596,692**	**848,967**	**52,526,119**

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	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Raw materials, supplementary materials, consumables and goods	72,888,256	54,595,997	102	18,292,259
Change in inventories of raw materials, supplementary materials, consumables and goods	(87,799)	(1,119,011)	0	1,031,212
Total purchase of raw materials, goods and changes in inventory	72,800,457	53,476,986	102	19,323,471

The breakdown and changes in cost of services in the year were as follows:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
External works	13,466,424	13,201,894	—	264,165
Agent commissions	11,259,103	9,645,435	60	1,613,668
Marketing and advertising	10,495,068	7,916,777	—	2,578,569
Logistics and transport	9,424,612	6,881,355	—	2,543,257
Other service costs	4,558,347	3,172,250	9,717	1,372,912
Administrative	2,841,443	2,122,336	218,502	732,382
Insurance	1,019,079	840,433	5,387	178,645
Travelling expenses	1,054,168	463,390	7,263	590,776
Total cost of services	**54,118,244**	**44,243,870**	**240,929**	**9,874,374**

The increase compared to 2012 unaudited Pro-Forma Consolidated Income Statement is mainly attributable to the increased business activities. Marketing and advertising expenses, already significant in 2012, further increased to support the expansion on overseas markets.

The breakdown and changes in rent costs are as follows:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Rent expenses for shop, outlet and showroom	6,445,469	4,064,345	1,062	2,381,124
Rent expenses for headquarters	793,415	772,722	—	20,693
Other rent expenses	283,557	165,154	—	118,403
Total rent	**7,522,441**	**5,002,221**	**1,062**	**2,520,220**

The significant increase in rent expenses for shop, outlet and showroom is related to the new store and outlet openings occurred during the year.

Rent expenses for headquarters refer to the rental of administrative and production sites. The change compared to previous year is due to an increase in Istat index expenses and to the discount granted by the lessor of the Parent Company in 2012 following the earthquake.

Other rent expenses include apartments rental costs granted as "fringe benefits" to some employees and hire costs. The increase in hire costs is mainly related to the increase in the number of motor vehicles.

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

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Wages and salaries	12,113,098	8,093,162	113,227	4,019,936
Social security contributions	3,573,690	2,428,023	33,514	1,145,667
Employee severance indemnities	801,286	576,832	6,119	224,454
Total personnel costs	**16,488,074**	**11,098,017**	**152,860**	**5,390,057**

The increase in personnel costs is due to the increased employees number, both in the Retail channel and in headquarters of the company. The following table provide a breakdown of employees number by distribution channel:

Number of employees	As of December 31, 2013	As of December 31, 2012	Change
Retail	238	145	93
Corporate	221	172	19
Total employees number	**459**	**317**	**112**

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

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Depreciation	1,870,814	1,201,676	3,283	669,138
Amortization	15,782,857	2,218,139	447,059	13,564,718
Total Depreciation and Amortization	**17,653,671**	**3,419,815**	**450,342**	**14,233,856**

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 increased by Euro 414,330 compared to 2012 unaudited Pro-Forma Consolidated Income Statement and mainly refer to stationery, gratuities and other taxes. This account also includes the doubtful debt provision for Euro 43,272 (Euro 22,138 in the 2012 unaudited Pro-Forma Consolidated Income Statement), prior year expenses for Euro 133,766 (Euro 123,812 in the 2012 unaudited Pro-Forma Consolidated Income Statement), and losses for disposals of property, plant and equipment for Euro 145,661 (Euro 5,643 in the 2012 unaudited Pro-Forma Consolidated Income Statement).

Note 20—Financial income and expenses

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Other financial income	149,750	379,353	1,018	(229,603)
Interest and other financial expenses	(10,849,900)	(4,679,913)	(3,994,469)	(6,169,987)
Foreign exchange gains/(losses)	72,631	(30,165)	(10,593)	102,796
Total financial income and expenses	**(10,627,519)**	**(4,330,725)**	**(4,004,044)**	**(6,296,794)**

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

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

	Year ended December 31, 2013			Year ended December 31, 2012 Pro-forma (unaudited)			Period from June 15 to December 31, 2012		
In Euro	Total	Short-term	Medium/Long term	Total	Short-term	Medium/Long term	Total	Short-term	Medium/Long term
Shareholder loan interest	5,121,651	—	5,121,651	2,164,167	—	2,164,167	2,164,167	—	2,164,167
Bank interest	5,666,381	1,171,632	4,494,749	2,504,052	617,969	1,886,083	1,820,006	35,879	1,784,127
Loan interest	*4,494,749*	—	*4,494,749*	*1,886,083*	—	*1,886,083*	*1,784,127*	—	*1,784,127*
Overdraft and short-term loan interest	*136,348*	*136,348*	—	*160,029*	*160,029*	—	*35,879*	*35,879*	—
Bank charges	*1,035,284*	*1,035,284*	—	*457,940*	*457,940*	—	—	—	—
Interest on tax payables	52,952	52,952	—	921	921	—	—	—	—
Other interest expenses	8,916	8,916	—	10,773	10,773	—	10,296	—	10,296
Total interest and other financial expenses	10,849,900	1,233,500	9,616,400	4,679,913	629,663	4,050,250	3,994,469	35,879	3,958,590

The most significant expenses refer to interest accrued on Shareholder loan (Euro 5,121,651) and on other loans (Euro 4,494,749). Relating to this latter item, interests accrued on Senior Loan and on Capex Line amounted to Euro 3,818,726 and Euro 327,361 respectively.

Exchange gains and losses for the period are composed of:

	Year ended December 31, 2013			Year ended December 31, 2012 Pro-forma (unaudited)			Period from June 15 to December 31, 2012		
In Euro	Total	Gains	Losses	Total	Gains	Losses	Total	Gains	Losses
Exchange gains/(losses) realised	(22,424)	529,614	(552,038)	172,969	614,794	(441,825)	(1,435)	3,041	(4,476)
Exchange gains/(losses) not realised	95,055	108,002	(12,947)	(203,134)	55,439	(258,573)	(9,158)	3,213	(12,371)
Total exchange gains and (losses)	**72,631**	**637,616**	**(564,985)**	**(30,165)**	**670,233**	**(700,398)**	**(10,593)**	**6,254**	**(16,847)**

Exchange gains and losses realized in 2013 principally refer to the US Dollar forward purchase contracts closed with respectively exchange gains of Euro 274,401 and exchange losses of Euro 67,784.

The forward contracts in place as of December 31, 2013, as described in Note 17, report a negative fair value of Euro 463,224, not recorded in the consolidated income statement as these contracts are considered hedging contracts.

Note 21—Extraordinary income and expenses

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Extraordinary income	142,927	2,593,806	1	(2,450,879)
Extraordinary expenses	(1,743,345)	(3,583,072)	—	1,839,727
Total extraordinary income and expenses	**(1,600,418)**	**(989,266)**	**1**	**(611,152)**

The following table illustrates the composition of extraordinary income:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Gains on disposals	7,927	2,351,386	—	(2,343,459)
Other extraordinary income	135,000	242,420	1	(107,420)
Total extraordinary income	**142,927**	**2,593,806**	**1**	**(2,450,879)**

Other extraordinary income fully refers to an insurance reimbursement for theft incurred by the Parent Company in the previous year.

The following table illustrates the composition of extraordinary expenses:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Losses on disposals	—	(2,200,817)	—	2,200,817
Prior years taxes	(261,451)	(219)	—	(261,232)
Other extraordinary expenses	(1,481,894)	(1,382,036)	—	(99,858)
Total extraordinary expenses	**(1,743,345)**	**(3,583,072)**	**—**	**1,839,727**

Prior years taxes include for Euro 242,621 the provision accrued following the assessment made by Italian tax authorities.

Other extraordinary expenses include prior year expenses (Euro 1,010,255, of which approximately Euro 781,000 relates to the sales network reorganization), waste, destruction and removal costs for the restructuring and restyling of the stores (Euro 159,033), goods theft (Euro 127,311), other extraordinary expenses related to previous years (Euro 12,870), cash theft within the stores (Euro 3,115) and other extraordinary expenses (Euro 169,310).

Note 22—Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

In Euro	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Current taxes	(5,312,910)	(10,624,358)	—	5,311,448
Deferred taxes	400,606	(12,240)	293	412,846
Prepaid taxes	(2,108,422)	2,865,992	2,507,275	(4,974,414)
Total Income tax	**(7,020,726)**	**(7,770,606)**	**2,507,568**	**749,880**

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

Description of temporary differences	31/12/2012			Decreases 2013			Increases 2013			31/12/2013		
	Assessable	%	Tax (a)	Assessable	%	Tax (b)	Assessable	%	Tax (c)	Assessable	%	Tax (a-b+c)
Tax losses / Interest expense from ROL Test	4,564,508	27.5	1,255,240	4,564,508	27.5	1,255,240	0	27.5	0	0	27.5	0
ACE carried forward	4,549,437	27.5	1,251,095	4,549,437	27.5	1,251,095	0	27.5	0	0	27.5	0
Amortization of intangible assets	131,690	31.4	41,351	0	31.4	0	0	31.4	0	131,690	31.4	41,351
Exchange losses	284,970	27.5	78,369	240,414	27.5	66,114	12,947	27.5	3,560	57,503	27.5	15,815
Doubtful debt provision	1,603,982	27.5	441,096	501,760	27.5	137,983	1,098,969	27.5	302,216	2,201,191	27.5	605,329
Obsolescence provision	4,096,808	31.4	1,286,398	590,928	31.4	185,551	253,203	31.4	79,506	3,759,083	31.4	1,180,353
Agents indemnities	1,031,217	27.5	294,851	50,076	27.5	14,207	0	27.5	0	981,141	27.5	280,644
Association fees not paid	102	31.4	32	102	31.4	32	200	31.4	63	200	31.4	63
Provision for risks and returns	1,542,927	27.5	424,305	264,496	27.5	72,736	1,470,537	27.5	429,748	2,748,968	27.5	781,317
Directors fees not paid	0	27.5	0	0	27.5	0	12,000	27.5	3,300	12,000	27.5	3,300
Deferred tax asset on consolidation adjustments	40,177	31.4	12,615	0	31.4	0	131,551	31.4	41,307	171,728	31.4	53,923
Total	17,845,817		5,085,352	10,761,720		2,982,958	2,979,406		859,700	10,063,504		2,962,095

Deferred tax liability

Description of temporary differences	31/12/2012			Decreases 2013			Increases 2013			31/12/2013		
	Assessable	%	Tax (a) (a-b+c)	Assessable	%	Tax (b)	Assessable	%	Tax (c) (d)	Assessable	%	Tax (a-b+c) (a-b+c+d)
Exchange gains not realised	81,805	27.5	22,497	35,704	27.5	9,819	111,742	27.5	39,084	157,844	27.5	51,762
Amort. trademark Twin Set allocation of merger deficit	27,376,546	31.4	8,596,235	1,369,015	31.4	429,871	0	31.4	0	26,007,531	31.4	8,166,364
Total	27,458,351		8,618,733	1,404,718		439,690	111,742		39,084	26,165,375		8,218,127

NOTE 23—Other information to be provided in the explanatory notes

Changes in Exchange Rates after the year-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	Year ended December 31, 2013	Year ended December 31, 2012 Pro-forma (unaudited)	Period from June 15 to December 31, 2012	Changes
Board of Directors	723,822	563,360	12,080	160,462
Board of Statutory Auditors	52,000	89,819	22,989	(37,819)
Independent Auditors	180,031	99,066	—	80,965
Total remuneration	955,853	752,245	35,069	203,608

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 the companies Liviana Conti S.r.l. and K8 S.r.l., operating in the women's clothing and accessory sector and marketed under the brands "Liviana Conti" and "Erika Cavallini—Semi-Couture", respectively. Each of these companies 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.

The details of transactions occurred during 2013 with related parties are exposed in the following tables:

Commercial transactions	As of December 31, 2013		Year ended December 31, 2013					
			Costs			Revenue		
In Euro	Receivables	Payables	Goods	Services	Other	Goods	Services	Other
Liviana Conti S.r.l.	274,780	—	—	—	—	—	70,000	86,657
K8 S.r.l.	—	326	267	—	—	—	—	—
Mo.Da Gioielli S.r.l.	347,924	2,460		407,906	—	—	—	—
Total commercial transactions	**622,704**	**2,786**	**267**	**407,906**	**—**	**—**	**70,000**	**86,657**

Financial transactions	As of December 31, 2013		Year ended December 31, 2013					
			Costs			Revenue		
In Euro	Receivables	Payables	Goods	Services	Other	Goods	Services	Other
Mo.Da Gioielli S.r.l.	—	77,285,818	—	—	5,121,161	—	—	—
Total financial transactions	**—**	**77,285,818**	**—**	**—**	**5,121,161**	**—**	**—**	**—**

With reference to Liviana Conti S.r.l. (a wholly-owned subsidiary of Mo.Da), revenue and receivables relate to (i) agreements pursuant to which the Issuer provided Liviana Conti with stylistic and product consultancy services and (ii) a lease pursuant to which Liviana Conti sublets office space in Bologna from the Issuer which expires in 2015 and renews automatically for a term of six years.

With reference to Mo.Da. Gioielli S.r.l. receivables and costs from commercial transactions mainly result from various lease agreements between Mo.Da Gioielli S.r.l. and the Issuer, and include the security deposits paid to Mo.Da Gioielli S.r.l.pursuant to those agreements. These lease agreements are for office space in Carpi and typically provide for automatic renewals of the agreements upon their respective terminations. In addition, Mo.Da Gioielli S.r.l. is the lender under the Shareholder Loan (financial transactions are entirely related to that loan—please see Note 15 for further details).

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 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.

Attachment A

In Euro	Pro-Forma Consolidated Income Statement for the year ended December 31, 2012 (unaudited)
Income Statement	
Revenue	144,534,642
Other income and internally generated assets	1,107,309
Change in work in progress, semifinished and finished product inventories	5,563,816
Total revenue and income	**151,205,767**
Purchase of raw material, goods and changes in inventory	53,476,986
Cost of services	44,243,870
Rent	5,002,221
Personnel Costs	11,098,017
Depreciation and Amortization	3,419,815
Write-downs of trade receivables	593,521
Provisions	6,440
Other operating costs	755,822
Total Operating costs	**118,596,692**
Operating profit	**32,609,075**
Financial income/(expenses)	(4,330,725)
Impairment of investments	—
Extraordinary income/(expenses)	(989,266)
Profit before tax	**27,289,084**
Income tax	(7,770,606)
Profit for the year	**19,518,478**
Attributable to non-controlling interests	*7,469*
Attributable to the Group	*19,511,009*

Attachment B

In Euro		Pro-forma Consolidated Cash Flow Statement for the year ended December 31, 2012 (unaudited)
A	NET CASH AT THE BEGINNING OF THE YEAR*	6,251,154
	Net cash flow from operating activities	
	Profit/(loss) for the year	**19,511,009**
	Amortization	2,218,139
	Depreciation	1,201,676
	Interest expense on shareholders' loan	2,164,167
	Gains/(losses) from disposals of assets	(150,569)
	Changes in deferred tax assets and liabilities	(2,848,451)
	Changes in provisions for risks and charges	656,149
	Changes in employee severance indemnities	57,031
	Net cash flow from operating activities before changes in net working capital	22,809,151
	Changes in inventories	(6,469,046)
	Changes in trade receivables	(4,403,946)
	Changes in trade and other payables	2,899,799
	Net change in other working capital items	(316,817)
	Change in net working capital	**(8,290,010)**
B	NET CASH FLOW FROM OPERATING ACTIVITIES	14,519,141
	Net cash flow from investing activities	
	Investments in intangible assets	(5,819,220)
	Investments in property, plant and equipment	(1,906,239)
	Disposal of Luciano Padovan S.r.l.	(2,200,817)
	Disposal of Liviana Conti S.r.l.	2,500,001
C	NET CASH FLOW FROM INVESTING ACTIVITIES	(7,426,275)
	Net cash flow from financing activities	
	Repayments of loans	(1,287,701)
	New borrowings from banks	—
	Capital increase and other variations	—
	Share premium received	—
D	NET CASH FLOW FROM FINANCING ACTIVITIES	(1,287,701)
E	NET CASH FLOW FOR THE PERIOD (B+C+D)	5,805,165
F	NET CASH AT THE END OF THE YEAR* (A+E)	12,056,319

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

TWIN-SET

SIMONA BARBIERI

TWIN SET—SIMONA BARBIERI S.r.l.

Consolidated Financial Statements
as of and for the year ended
December 31, 2012

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012 PREPARED FOR THE SOLE PURPOSE OF INCLUSION IN THE OFFERING MEMORANDUM

To the Board of Directors of
TWIN SET—SIMONA BARBIERI S.r.l.

1. We have audited the consolidated financial statements of Twin Set—Simona Barbieri S.r.l. (the "Company") and subsidiary (the "Twin Set—Simona Barbieri Group") as of December 31, 2012 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared solely for inclusion in the offering memorandum prepared in connection with the Company's issuance of senior secured notes to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. The Directors of the Company are responsible for the preparation of these Consolidated Financial Statements in accordance with the accounting principles issued by OIC (Organismo Italiano di Contabilità), the Italian Accounting Body ("Italian GAAP"). Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   Twin Set—Simona Barbieri S.r.l. has not presented comparative data since it was incorporated on June 15, 2012 and the Consolidated Financial Statements as of December 31, 2012 represent the first consolidated financial statements of the Group. The Company has presented the 2012 unaudited Pro-Forma Consolidated Income Statement, the 2011 unaudited Pro-Forma Consolidated Income Statement, the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet (the "Unaudited Pro-Forma Consolidated Statements"), based on the assumptions described in the explanatory notes, in order to report retrospectively to January 1, 2012 and to January 1, 2011 the effect of the acquisition occurred in 2012. The Unaudited Pro-Forma Consolidated Statements have been examined by us only for the purpose of expressing our opinion on the Consolidated Financial Statements of Twin Set—Simona Barbieri Group as of December 31, 2012. As a result we do not express any opinion on the Unaudited Pro-Forma Consolidated Statements.

3. In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Twin Set—Simona Barbieri Group as of December 31, 2012, and of the results of its operations for the year then ended in accordance with the Italian GAAP.

4. The Company has prepared for statutory purposes a separate set of consolidated financial statements for the year ended December 31, 2012 in accordance with the Italian law governing financial statements on which we issued a separate auditor's report to the shareholders of the Company dated June 5, 2013.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Partner

Milan, Italy
June 24, 2014

CONSOLIDATED BALANCE SHEET

As of December 31, 2012

In Euro	Notes	As of December 31, 2012
Assets		
Intangibles assets	5	250,397,648
of which goodwill	5	206,832,527
Property, plant and equipment	6	3,862,538
Other financial assets	7	5
Total intangible assets, PP&E and other financial assets		**254,260,191**
Inventories	8	39,843,844
Trade receivables	9	38,069,929
Tax receivables	9	1,691,846
Deferred tax assets	9	5,085,352
Other receivables	9	2,660,804
Cash and cash equivalents	10	13,095,347
Total current assets		**100,447,122**
Accrued income and prepaid expenses	11	500,396
Total assets		**355,207,709**

In Euro		As of December 31, 2012
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	12	500,000
Reserves	12	153,199,999
Loss for the period	12	(2,090,010)
Total Group Shareholders' equity		**151,609,989**
Equity attributable to non-controlling interests	12	19,835
Total Shareholders' equity		**151,629,824**
Liabilities		
Provisions for risks and charges	13	3,278,601
Deferred tax liabilities	23	8,618,733
Provisions for employee severance indemnities	14	283,981
Shareholder loan	15	72,164,167
Bank loans	15	67,655,200
Trade payables	15	36,389,519
Tax payables	15	3,794,987
Social security payables	15	638,790
Other payables	15	10,475,006
Accrued expenses and deferred income	16	278,901
Total liabilities		**203,577,885**
Total liabilities and shareholders' equity		**355,207,709**
Memorandum accounts		
Guarantees	17	2,236,600
Other memorandum accounts	17	13,124,318
Commitments related to the business rented by Tessitura Sidoti S.r.l	17	(18,948)
Total memorandum accounts		**15,341,970**

CONSOLIDATED INCOME STATEMENT

For the period from June 15 to December 31, 2012

In Euro	Notes	Period from June 15 to December 31, 2012
Revenue	18	73,701
Other income and internally generated assets	18	211,234
Change in work in progress, semifinished and finished product inventories	18	(29,503)
Total revenue and income		**255,432**
Purchase of raw materials, goods and changes in inventory	19	102
Cost of services	19	240,929
Rent	19	1,062
Personnel Costs	19	152,860
Depreciation and Amortization	19	450,342
Write-downs of trade receivables	19	—
Provisions	19	—
Other operating costs	19	3,672
Total Operating costs		**848,967**
Operating profit		**(593,535)**
Financial income/(expenses)	20	(4,004,044)
Impairment of investments	21	—
Extraordinary income/(expenses)	22	1
Loss before tax		**(4,597,578)**
Income tax	23	2,507,568
Loss for the period		**(2,090,010)**
Attributable to non-controlling interests		—
Attributable to the Group		*(2,090,010)*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from June 15 to December 31, 2012

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period from June 15 to December 31, 2012	Total
As of June 15, 2012 (date of incorporation)	**10,000**	**—**	**—**	**—**	**—**	**10,000**
Share capital increase of July 18, 2012	490,000	153,200,000				153,690,000
Loss for the period from June 15 to December 31, 2012					(2,090,010)	(2,090,010)
Other			(1)	—		(1)
As of December 31, 2012	**500,000**	**153,200,000**	**(1)**	**—**	**(2,090,010)**	**151,609,989**
Total Group Shareholders' equity						**151,609,989**
—Capital and reserves attributable to non-controlling interests						19,835
—Loss for the period attributable to non-controlling interests						—
Total equity attributable to non-controlling interests						**19,835**
Total Shareholders' equity						**151,629,824**

CONSOLIDATED CASH FLOW STATEMENT

For the period from June 15 to December 31, 2012

	In Euro	Period from June 15, to December 31, 2012
A	**NET CASH AT THE BEGINNING OF THE PERIOD (Incorporation of Twin Set—Simona Barbieri S.r.l)**	**10,000**
B	**NET CASH FLOW FROM ACQUISITION OF LIGHT FORCE S.R.L.**	**2,390,437**
	Cash flow from operating activities	
	Profit (loss) for the financial year	(2,090,010)
	Amortization	447,059
	Depreciation	3,283
	Interest expense on shareholders' loan	3,984,173
	Changes in deferred tax assets and liabilities	(2,507,568)
	Changes in employee severance indemnities	(734)
	Cash flow from operating activities before changes in net working capital	**(163,797)**
	Changes in inventories	29,502
	Changes in trade receivables	10,745,530
	Changes in trade and other payables	(2,509,756)
	Changes in other current assets and liabilities	178,960
	Changes in net working capital	**8,444,236**
	Interest paid	**(1,773,654)**
C	**NET CASH FLOW FROM OPERATING ACTIVITIES**	**6,506,785**
	Cash flow from investing activities	
	Investments in intangible assets	(4,407,678)
	Acquisition of Light Force	(275,912,045)
D	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(280,319,723)**
	Cash flow from financing activities	
	Repayments of loans	(221,179)
	Issue Senior Loan	60,000,000
	Issue Vendor Loan	70,000,000
	Capital increase and other variations	489,999
	Share premium received	153,200,000
E	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**283,468,820**
F	**CASH FLOW FOR THE PERIOD (B+C+D+E)**	**12,046,319**
G	**NET CASH AT THE END OF THE PERIOD* (A+F)**	**12,056,319**

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

TWIN SET—SIMONA BARBIERI S.r.l.

Explanatory Notes
to the Consolidated Financial Statements
as of and for the year ended
December 31, 2012

Note 1—General information

TWIN SET—Simona Barbieri (the "Parent Company") and its subsidiary Tessitura Sidoti (together with the Parent Company, the "Group") operates in the apparel market; in particular the Group designs and produces clothing, accessories and women's and girl's knitwear, marketed under the brands "TWIN SET—Simona Barbieri" and "SCEE by TWIN SET".

The Parent Company was incorporated on June 15, 2012 under the name "Fuori Dal Sacco 2 S.r.l." ("FDS2"), owned by the sole shareholder CEP III Partecipations S.à.r.l. SICAR (Luxembourg Registered Company). FDS2 was incorporated prior to and in conjunction with its acquisition of Light Force S.r.l. ("LF"), previously Light Force S.p.A., which operates in the design and production of women's clothing and accessories, marketed under the main brands "TWIN SET—Simona Barbieri" and "SCEE by TWIN SET".

On July 18, 2012, the Shareholders' Meeting of the Parent Company approved the paid-in share capital increase, from Euro 10,000 to Euro 500,000, with a share premium of Euro 153,200,000. The shareholding following the new issue of shares was as follows:

- CEP III Partecipations S.à.r.l. SICAR, nominal shareholding Euro 360,000, equal to 72% of the share capital;
- MO.DA GIOIELLI S.r.l., nominal shareholding Euro 140,000, equal to 28% of the share capital.

On July 25, 2012, FDS2 acquired 100% control of the share capital of LF, financing the acquisition through an increase in equity, as illustrated above, through an interest-bearing loan granted by the shareholder MO.DA GIOIELLI S.r.l. and through dedicated bank funding.

With deed of November 13, 2012 the Parent Company incorporated the subsidiary LF through a direct merger operation, undertaken through a "Leveraged Buy Out" (LBO), pursuant to Article 2501-*bis* of the Civil Code, through the following phases:

- Merger proposal of September 25, 2012, filed at the Modena Company Registration Office on October 1, 2012, for both participating companies;
- Merger motion of October 5, 2012, filed at the Modena Company Registration Office on October 10, 2012, for both participating companies;
- Merger deed of November 13, 2012, filed at the Modena Company Registration Office on December 17, 2012, for both participating companies.

Pursuant to the merger agreement, the determination of the purchase settlement was contingent upon the full year results of LF for the year ended December 31, 2012 and the results of operations through December 30, 2012 were attributable to LF's previous owners. Although the acquisition date of LF was June 15, 2012, as allowed by the accounting standards, the Parent Company consolidated the results of LF beginning December 31, 2012. Consequently, the 2012 income statement includes the consolidated results of operations from June 15, 2012 through December 31, 2013; however, only one day of the operations of LF is attributable to the Parent Company based on the terms of the merger agreement.

From the effective date of the operation, the Parent Company changed its name to "TWIN SET—Simona Barbieri S.r.l."

The merger of LF into FDS2 gave rise to an excess of Euro 222,276,493 between the fair value of the investment of FDS2 in LF at December 30, 2012 (Euro 282,912,045) over the net equity at the same date of LF (Euro 60,635,552). In accordance with O.I.C. No. 4, that excess was allocated for Euro 27,380,297 to the value of the main brand "TWIN SET—Simona Barbieri", on the basis of an independent expert's opinion of May 23, 2013, prepared by Mr. Andrea Bossola and for the residual Euro 203,493,609 to goodwill, including deferred taxes of Euro 8,597,413, calculated as 31.4% of the value allocated to the above-mentioned brand.

The consolidated financial statements as of and for the year ended December 31, 2012 report a net loss of Euro 2,090,010, after Depreciation and Amortization of Euro 450,342, net financial expenses of Euro 4,004,044 and net income taxes of Euro 2,507,568, for which please refer to the comments of the present document.

These accounts constitute both the first consolidated financial statements prepared by the TWIN SET—Simona Barbieri Group and the first financial statements after the Merger described above and therefore, in accordance with O.I.C. 17 accounting standard, the following documents were attached to the Explanatory Notes:

➤ **Attachment A:** a second unaudited Pro-Forma consolidated cash flow statement as of December 31, 2012, assuming that the acquisition operation and the subsequent merger of Light Force into the Parent Company had already taken place, together with the payment of the relative acquisition costs, as of December 31, 2011;

➤ **Attachment B:** a statement which for i) the balance sheet includes columns amounts related to 2012 resulting from the consolidated financial statements of Twin Set—Simona Barbieri Group as of December 31, 2012 and amounts related to 2011 resulting from the unaudited Pro-Forma consolidated financial statements of Twin Set as of December 31, 2011 ("December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet") and for ii) the income statement includes columns of the amounts resulting from the unaudited Pro-Forma consolidated financial statements for the year ended December 31, 2012 ("2012 unaudited Pro-Forma Consolidated Income Statement") and December 31, 2011 ("2011 unaudited Pro-Forma Consolidated Income Statement").

Note 2—Basis of presentation

These special purposes consolidated financial statements (the "Consolidated Financial Statements") have been prepared solely for the purposes of their inclusion in the offering memorandum to be prepared in connection with the Company's issuance of senior secured floating rate notes (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S (and only to investors who, if resident in a member state of the European Economic Area, are qualified investors under Directive 2003/71/EC, as amended (the "**Prospectus Directive**")). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market upon their issuance. In addition, application will be made to Borsa Italiana S.p.A. for listing of the notes on the ExtraMOT, Professional Segment upon their issuance.

The Consolidated Financial Statements have been prepared based on the consolidated financial statements of the Group as of and for each of the years ended December 31, 2012 and 2011, which were approved by the Board of Directors on May 30, 2013 and on May 29, 2012, respectively. In particular, the Consolidated Financial Statements have been prepared in order to reclassify the income statement and balance sheet in a manner more similar to international format. No changes have been made to the relevant figures previously reported in the income statement and balance sheets of the December 31, 2012 consolidated financial statements. The Consolidated Financial Statements were approved by the Company's Board of Directors on June 23, 2014.

The Consolidated Financial Statements include the consolidated balance sheet, the consolidate income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the explanatory notes and have been prepared in accordance with Legislative Decree No. 127/1991, pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement as interpreted and integrated 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.). Such rules are collectively referred to Italian Generally Accepted Accounting Principles ("Italian GAAP").

The items reported in the consolidated financial statements have been stated in accordance with the general principles of prudence and accruals and with an appropriate going concern basis, which covers at least twelve months from the 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 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 comparative year is not reported as the Parent Company was incorporated on June 15, 2012 and therefore the present Consolidated Financial Statements represent the first consolidated financial statements of TWIN SET—Simona Barbieri Group.

For a better understanding of the changes for the year ended December 31, 2012 and in consideration of the merger illustrated above, the following statements were prepared—although simplified according to O.I.C. 17 (see Attachment B):

- December 31, 2011 unaudited pro-forma consolidated balance sheet and income statement, prepared on the basis of the consolidated financial statements of the incorporated Light Force at the same date, adjusted excluding from the consolidation scope the company Liviana Conti S.r.l. (a company sold by Light Force during 2012), compared to the consolidated balance sheet and income statement as of and for the year ended December 31, 2012 including the merger effects;
- 2012 unaudited pro-forma consolidated income statement, prepared considering 12 months of activity (from January 1 to December 30, 2012), of the incorporated Light Force, the full year of the subsidiary Tessitura Sidoti S.r.l. and the full year of the incorporating Twin Set (from June 15 to December 31, 2012, inclusive of the December 31, 2012 day concerning the transactions of Light Force), adjusted by the transactions between merger participants and effects from the allocation of the premium paid as previously described.

This should permit a better understanding of the events relating to the operations of the Group, which is not evident through the income statement reflected in the Consolidated Financial Statements since it entirely excludes the subsidiary Tessitura Sidoti and includes the incorporated Light Force for only one day.

Note 3—Consolidation area and basis of consolidation

Consolidation area

Company	Country	Net Profit/(loss)	Net Equity	Year-End	Holding	Carrying value	Consolidation method
TWIN SET—SIMONA BARBIERI S.R.L.	Italy	(2,090,010)	151,609,989	31.12.2012			
TESSITURA SIDOTI S.R.L.	Italy	102,254	225,914	31.12.2012	90%	45,000	line-by-line

The Consolidated Financial Statements include the financial statements of the Parent Company (post-merger by incorporation of LF), and the financial statements of the 90% held subsidiary Tessitura Sidoti S.r.l as illustrated in the table above.

The subsidiary Tessitura Sidoti S.r.l was incorporated on December 29, 2010 and on January 12, 2011 a business unit rental contract was signed, under which the lessor Oldtex S.r.l. (previously Tessitura Sidoti S.r.l.) granted a rental contract to the subsidiary Tessitura Sidoti S.r.l. of its technical/production business unit. The duration of this contract is 6 years from January 17, 2011.

Please note that the Consolidation area changed during 2012 since the Parent Company sold, on July 19, 2012, the total investment in the company Liviana Conti S.r.l. (a previously 100% held company) realizing a gain on disposal of Euro 2.4 million (for further information please see Note 22—Extraordinary income and expenses).

Please also note that on July 19, 2012 Light Force sold the entirely investment in the company Luciano Padovan S.r.l., realizing a loss on disposals of Euro 2.2 million. This disposal had no effect on the consolidation area because the company was not consolidated as of December 31, 2011 and registered within financial assets held for sale with a value equal to zero since the investment was fully written down (for further information please see Note 21—Impairment of investments).

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

Basis of consolidation

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

The subsidiaries are included in the 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 consolidated financial statements are consolidated on a line-by-line basis, accounting for the non-controlling interest in a proper line item in the Shareholders' equity and in the consolidated income statement.

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

➤ The carrying amount of investments in consolidated company is 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 intangible assets and amortized over its estimated useful life;

➤ All payables, receivables, revenue 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 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 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 assets 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 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 life 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	10.0%
Plant & machinery	12.5%
Industrial & commercial equipment	25.0%
EDP	20.0%
Furniture & fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516 (for Italy)	100.0%

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.

During 2012, in conjunction with the acquisition described above, the Parent Company incorporated the opening balances of the assets and the related accumulated depreciations of Light Force. Useful lives of Light Force property, plant and equipment didn't change, since they were considered representative of the residual future utilization of each asset.

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 cost adopted is the purchase cost while for goods produced by Group companies cost adopted is the production cost. 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 criteria 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 reasons that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.

Even all other receivables are 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 informations 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 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 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 consolidated financial statements.

Revenue and costs

Revenue 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 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 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 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 (Item C.17 -bis). 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 consolidated financial statements requires management's estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the balance sheet date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from the 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 concerned 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 year were as follows:

Account	Pro-forma as of December 31, 2011 (unaudited)				Changes in the year						As of December 31, 2012		
						Reclass.	Disposals/Decreases		Allocation of				
in Euro	Amort.	Hist. cost	Acc. amort.	NBV	Additions	Hist. Cost	Hist. Cost	Acc. amort.	premium paid	Amort.	Hist. cost	Acc. amort.	NBV
Start up and formation expenses	19,943	301,049	144,694	156,355	303,704	—	—	—	—	80,684	604,753	225,378	379,375
Industrial patents and intellectual property rights	138,592	743,056	437,886	305,170	586,435	38,913	—	—	—	258,572	1,368,404	696,458	671,946
Concessions, licenses, trademarks & similar rights	63,164	1,124,694	367,418	757,276	44,874	—	—	—	27,380,297	69,448	28,549,865	436,866	28,112,999
Goodwill	65,415	3,937,365	359,150	3,578,215	7,939	—	—	—	203,493,609	247,236	207,438,913	606,386	206,832,527
Assets in progress and advances	—	123,903	—	123,903	337,086	(123,903)	—	—	—	—	337,086	—	337,086
Other intangible assets	986,921	7,414,185	2,130,394	5,283,791	10,257,195	84,928	—	—	—	1,562,199	17,756,308	3,692,593	14,063,715
Total intangible assets	**1,274,035**	**13,644,252**	**3,439,542**	**10,204,710**	**11,537,233**	**(62)**	**—**	**—**	**230,873,906**	**2,218,139**	**256,055,329**	**5,657,681**	**250,397,648**

Start up and formation expenses include the incorporation expenses and formation expenses incurred by the incorporated LF and the subsidiary Tessitura Sidoti in previous years.

2012 increases relate to consulting expenses incurred by Fuori dal Sacco 2 in connection to the merger and incorporation, amounting to Euro 303,704.

Industrial patents and intellectual property rights include the costs for software licenses for indefinite use, principally held by the Parent Company.

The implementation of a new software and new information management system began during previous year. Design activities, started during 2011, were completed during 2012 with the activation of the new management software, necessary to support the growth of the business, with an overall increase in 2012 of Euro 586,435. Additional software instruments for the management of Retail channel and new IT infrastructural solutions were developed.

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 the minor brands "Paradiso Terrestre", "Zooi", "Mata Mua", "Bulldog", "Baby TWIN SET" and "Girl". The Parent Company invested Euro 44,874 during 2012 in order to register new trademarks and maintain existing trademarks.

This account includes also the previously described 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 December 31, 2012
"Twin Set—Simona Barbieri" trademark	8,071	1,000,000	107,529	27,380,297	28,495,897

Goodwill refers to the costs incurred by the Parent Company connected to Retail development. The account also includes, for Euro 203,493,609, the net book value of goodwill resulting from the allocation of premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years.

The change in assets in progress and advances, for Euro 337,086, refers to the development of the new Shop Online software, completed during 2013 spring. Reclassifications refers for Euro 38,913 to the Shop Online software costs and for Euro 84,990 to advances on leasehold improvements for stores under lease contracts, both completed during 2012.

Other intangible assets mainly include leasehold improvements (Euro 3,222,173), key money paid to secure leases in strategic locations (Euro 4,581,911) and finance expenses for Senior Loan obtained by the Parent Company from a syndicate of banks led by UniCredit S.p.A. (Euro 6,877,768, for 60% incurred by FDS2 and 40% included in the merger contribution of LF) and, consequently, amortized over the contract duration.

Impairments

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

Note 6—Property, plant and equipment

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

Account	Pro-forma as of December 31, 2011 (unaudited)				Changes in the year					As of December 30, 2012	As of December 31, 2012		
						Reclass.	Disposals/Decreases						
In Euro	Depre.	Hist. cost	Acc. depre.	NBV	Additions	Hist. Cost	Hist. Cost	Acc. depre.	Allocation of premium paid	Depre.	Hist. Cost	Acc. depre.	NBV
Land and buildings	(514)	5,138	(3,026)	2,112	—	—	—	—	—	(514)	5,138	(3,540)	1,598
Plant and machinery	(615,517)	7,401,027	(5,611,068)	1,789,959	282,876	10,539	—	—	—	(515,600)	7,694,442	(6,126,668)	1,567,775
Industrial and commercial equipment	(163,572)	1,569,249	(598,461)	970,788	1,412,455	—	—	—	—	(446,088)	2,981,704	(1,059,749)	1,921,955
Other tangible assets	(259,790)	1,385,719	(1,001,410)	384,309	259,709	330	(76,220)	42,556	—	(239,474)	1,569,538	(1,198,328)	371,210
Construction in progress and advances	—	10,807	—	10,807	—	(10,807)	—	—	—	—	—	—	—
Total property, plant and equipment	(1,039,393)	10,371,940	(7,213,965)	3,157,975	1,955,040	62	(76,220)	42,556	—	(1,201,676)	12,250,822	(8,388,285)	3,862,538

Land and buildings refer to light constructions and, except for depreciation, didn't change compared to previous year.

Plant and machinery include specific and general plant, installed at the premises, factories and warehouses, as well as at the boutiques and outlets, of weaving and production machinery. Increases, amounting to Euro 293,415, mainly refer to investments for electric plant, illumination and video surveillance for the new stores and outlets.

Industrial and commercial equipment mainly includes equipment for the ironing section and furniture and fittings in the various boutiques and directly managed outlets. Increases, amounting to Euro 1,412,455, principally refer to the purchase of fittings for the new stores opened during the year.

Other tangible assets mainly include EDP and transport and motor vehicles. Increases, amounting to Euro 260,039 (including construction in progress in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet, for Euro 330), refers to the purchase of ordinary assets. Disposals of other tangible assets undertaken during the year generated total losses of Euro 5,643, recorded under other operating costs.

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	Pro-forma as of December 31, 2011 (unaudited) Cost	Reval.	Write-down	NBV	Changes in the year Increases	Decreases	Consolidation Cancellation	As of December 31, 2012 Cost	Reval.	Write-down	NBV
Investments in											
—subsidiaries	148,614	—	—	148,614	—	(148,614)	—	—	—	—	—
—other companies	5	—	—	5	—	—	—	5	—	—	5
Total other financial assets	148,619	—	—	148,619	—	(148,614)	—	5	—	—	5

During 2012 the incorporated Light Force sold the full investment in the share capital of Liviana Conti S.r.l., with a carrying value of Euro 148,614, realizing a gain of Euro 2,351,386 recognized under extraordinary income. This operation, together with the disposal of the full investment in the share capital of Luciano Padovan S.r.l. (please see also Note 9) was a preliminary step for the acquisition of Light Force by Fuori dal Sacco 2.

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

For complete disclosure, the investment of FDS2 in LF at the merger date was Euro 282,912,045, resulting from the combined effect of the original acquisition price (Euro 275,000,000), acquisition costs (Euro 912,045) and the "Earn Out" (Euro 7,000,000), quantified on the basis of the Master Agreement ("SPA"), signed on June 29, 2012 and already agreed by the parties at the date of preparation of the present Consolidated Financial Statements.

Note 8—Inventories

The changes in inventories are shown in the following table:

in Euro	As of December 31, 2012 Gross	Net	Pro-forma as of December 31, 2011 (unaudited) Gross	Net	Changes Gross	Net
Raw materials, consumables and goods	5,814,318		4,417,805		1,396,513	
—obsolescence provision	(771,000)		(510,377)		(260,623)	
		5,043,318		3,907,428		1,135,890
Work-in-progress and semi-finished products	3,659,526		3,051,090		608,436	
—obsolescence provision	—		—		—	
		3,659,526		3,051,090		608,436
Finished goods	34,466,808		29,538,450		4,928,358	
—obsolescence provision	(3,325,808)		(3,122,170)		(203,638)	
		31,141,000		26,416,280		4,724,720
Total inventories		**39,843,844**		**33,374,798**		**6,469,046**

Inventories, recorded in accordance with the criteria previously illustrated, include:

➤ raw materials, consumables and goods, amounting to Euro 5,043,318, net of the obsolescence provision of Euro 771,000 (Euro 510,377 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), relating to yarns, textiles and accessories;

➤ work in progress and semi-finished products, amounting to Euro 3,659,526, representing clothing and garments in production not completed at year-end;

➤ finished goods, amounting to Euro 31,141,000, net of the relative obsolescence provision of Euro 3,325,808 (Euro 3,122,170 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), including garments produced and complementary products distributed.

The increase in inventories compared to December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet is mainly due to the growth in turnover.

The obsolescence provisions, recorded as a direct reduction of inventories for a total amount of Euro 4,096,808, is calculated to represent the 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 December 31, 2012	Pro-forma as of December 31, 2011 (unaudited)	Changes
Trade receivables	38,069,929	34,247,484	3,822,445
Receivables due from controlled entities	—	35,766	(35,766)
Tax receivables	1,691,846	2,571,600	(879,754)
Deferred tax assets	5,085,352	2,224,661	2,860,691
Other receivables	2,660,804	1,163,783	1,497,021
Total receivables	**47,507,931**	**40,243,294**	**7,264,637**

Trade receivables, amounting to Euro 38,069,929, refer to receivables for the sale of products produced and distributed by the Group. The change compared to previous year is mainly attributable to the increased turnover.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 1,637,772, against the risk of potential losses. The movements of the provision in the year are as follows:

Pro-forma as of December 31, 2011 (unaudited)	Utilizations	Provisions	Release	As of December 31, 2012
1,500,000	(455,749)	593,521	—	1,637,772

No receivables are due from controlled entities as of December 31, 2012. In the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet, this account included trade receivables due from Liviana Conti S.r.l. and Luciano Padovan S.r.l. for Euro 14,344 and Euro 21,422 respectively, settled during the year. Additionally, account included receivables from the subsidiary Luciano Padovan S.r.l. related to loans issued for a total amount of Euro 3,750,002 (three loans granted to the subsidiary on April 30, 2010, June 30, 2010 and March 23, 2011, respectively, which are all interest-free loans with full repayment on the maturity date, after 5 years from granting). These receivable were fully written down as of December 31, 2011 and were eliminated subsequently to the sale of the investment in Luciano Padovan S.r.l. during 2012 (for further details please see Note 21—Impairment of investments).

Tax receivables mainly include VAT receivables of the Parent Company for Euro 1,357,786 (Euro 2,487,616 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and IRES reimbursement receivable of the Parent Company pursuant to Legislative Decree 201/2011 for Euro 242,177, recorded under extraordinary income. The residual amount for Euro 91,883 (Euro 83,983 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) mainly refers to other tax receivables related to reimbursements requested.

Deferred tax assets refer to temporary tax differences, deductible in future years, mainly related to obsolescence provision, non-deductible portion of doubtful debt provision and other non-deductible provisions for risks and charges. Please refer to Note 23 for a breakdown of the item and for changes occurred in the year.

Other receivables principally refer to deposits for Euro 698,803 (Euro 475,433 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), down-payments for Euro 123,000 and receivables from suppliers, advances and credit notes to be received for Euro 1,223,712 (Euro 408,103 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet). The account also include employee receivables for Euro 425,240, related to the suspension of tax and contribution payments for companies located in the territories hit by the earthquake in May 2012. The amount, relating to the incorporated LF for Euro 410,967 and to the subsidiary Tessitura Sidoti for Euro 14,273, has been paid within the terms of law by December 20, 2012.

Breakdown of receivables by geographic area

The geographic breakdown of trade receivables is as follows:

Percentage	As of December 31, 2012 %	Pro-forma as of December 31, 2011 % (unaudited)
Italy	77.9%	80.8%
EU	14.9%	16.9%
Non EU	7.2%	2.3%
Total	**100.0%**	**100.0%**

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

Maturity of receivables

The maturity of receivables as of December 31, 2012 is shown in the table below:

in Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years	Amount due beyond 5 years
Trade receivables	38,069,929	38,069,929	—	—
Tax receivables	1,691,846	1,691,846	—	—
Deferred tax assets	5,085,352	5,050,462	34,890	—
Other receivables	2,660,804	1,962,001	698,803	—
Total receivables	**47,507,931**	**46,774,238**	**733,693**	**—**

Note 10—Cash and cash equivalents

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

in Euro	As of December 31, 2012	Pro-forma as of December 31, 2011 (unaudited)	Changes
Bank and postal accounts	13,031,676	10,122,766	2,908,910
Cheques	9,382	2,286,841	(2,277,459)
Cash on hand	54,289	71,846	(17,557)
Total cash and cash equivalents	**13,095,347**	**12,481,453**	**613,894**

For a better understanding of the changes in cash and cash equivalents, please refer to the consolidated cash flow statement presented at the beginning of the present document. For a better understanding of the unaudited Pro-forma as of December 31, 2012 changes in cash and cash equivalents, please also refer to the unaudited Pro-forma consolidated cash flow statement attached to the present Explanatory Notes (Attachment A).

With reference to December 31, 2012, due to the merger operation, the Parent Company has a restricted current account with UniCredit S.p.A. amounting to Euro 114,447. This restriction was removed on January 30, 2013.

Note 11—Accrued income and prepaid expenses

Accrued income and prepaid expenses as of December 31, 2012, amounting to Euro 500,396, include accrued income related to services for Euro 10,570 (Euro 4,861 in the December 31, 2011 unaudited Pro-forma Consolidated Balance Sheet) and the following prepaid expenses:

In Euro	As of December 31, 2012	Pro-forma as of December 31, 2011 (unaudited)	Change
Trade fairs	66,126	86,244	(20,118)
Hire	62,936	3,662	59,274
Rental	151,184	59,213	91,971
Audit	41,486	51,700	(10,214)
Services	72,103	27,242	44,861
Consultants	36,883	—	36,883
Agency fees	42,123	—	42,123
Sureties	4,315	3,111	1,204
Insurance	7,055	47	7,008
Other	5,615	6,826	(1,211)
Total prepaid expenses	**489,826**	**238,045**	**251,781**

Services, amounting to Euro 72,103 principally concerns prepaid expenses on assistance contracts, condominium expenses, telephone expenses and store licenses. The increase compared to the previous year, amounting to Euro 44,861, is mainly due to assistance contracts.

Agency fees refer to 2012 Senior Loan fees charged by UniCredit Bank AG, Milan Branch, amounting to Euro 75,000 annually.

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

Note 12—Shareholders' equity

The following table provides details of the movements in shareholders' equity:

In Euro	Share capital	Share premium reserve	Other	Retained earnings	Profit/(loss) for the period from June 15 to December 31, 2012	Total
As of June 15, 2012 (date of incorporation)	10,000	—	—	—	—	10,000
Share capital increase of July 18, 2012	490,000	153,200,000				153,690,000
Loss for the period from June 15 to December 31, 2012					(2,090,010)	(2,090,010)
Other			(1)	—		(1)
As of December 31, 2012	500,000	153,200,000	(1)	—	(2,090,010)	151,609,989
Total Group Shareholders' equity						151,609,989
—Capital and reserves attributable to non-controlling interests						19,835
—Loss for the period attributable to non-controlling interests						—
Total equity attributable to non-controlling interests						19,835
Total Shareholders' equity						151,629,824

As illustrated in the previous table, FDS2 was incorporated on June 15, 2012 with an original share capital of Euro 10,000, paid-in by the shareholder CEP III Partecipations S.à r.l. SICAR. On July 18, 2012 a share capital increase of Euro 500,000 was approved, then subscribed and paid-in for Euro 350,000 by the Shareholder CEP III Partecipations S.à r.l. SICAR and for Euro 140,000 by

MO.DA Gioielli S.r.l., with a share premium of total Euro 153,200,000 (Euro 110,304,000 and Euro 42,896,000 respectively).

Following these operations, the shareholders of the company are as follows:

In Euro	At incorporation date	%	Increases 2012	Book value as of December 31, 2012	%
Shareholders					
CEP III PARTECIPATIONS S.A.R.L. SICAR	10,000	100%	350,000	360,000	72%
MO.DA GIOIELLI SRL	—	—	140,000	140,000	28%
Total share capital	**10,000**	**100%**	**490,000**	**500,000**	**100%**

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

Equity attributable to non-controlling interests amounts to Euro 19,835.

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

The reconciliation between profit/(loss) and equity as for separate financial statements of the Parent Company and profit/(loss) and equity as for Consolidated Financial Statements is reported in the following table.

In Euro	Profit/(loss) for the period from June 15 to December 31, 2012	Equity as of December 31, 2012
Financial statements of TWIN SET—Simona Barbieri S.r.l.	**(2,090,010)**	**151,609,989**
Elimination of carrying value of investment in Tessitura Sidoti srl		
Difference between carrying value and book value of net equity of Tessitura Sidoti S.r.l.		—
Profit/(loss) and equity attributable to the Group	**(2,090,010)**	**151,609,989**
Profit/(loss) and equity attributable to non-controlling interests	**—**	**19,835**
Consolidated profit/(loss) and equity	**(2,090,010)**	**151,629,824**

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 a specific business

The Parent Company does not have equity allocated to a specific business.

Note 13—Provisions for risks and charges

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

in Euro	Pro-forma as of December 31, 2011 (unaudited)	Utilization	Provision	Release	As of December 31, 2012
Provision for pensions and similar obligations	1,306,818	(132,582)	398,753	—	1,572,989
Other provision for risks and charges	1,206,000	(288,021)	133,517	(65,979)	985,517
Provision for returns	—	—	690,927	—	690,927
Provision for assets under rental	22,728	—	6,440	—	29,168
Total provisions for risks and charges	**2,535,546**	**(420,603)**	**1,229,637**	**(65,979)**	**3,278,601**

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. The utilization of the year concern sums paid for the termination of agency contracts.

Other provision for risks and charges relates to potential disputes with third parties, amounting to Euro 985,517. The utilization of the year mainly refer to settlements of agency contracts, while release relates to excessive estimated indemnities as of December 31, 2012, reversed within other income and internally generated assets.

Provision for returns is accrued on the basis of the estimated and expected returns relating to sales made during 2012. This provision was recorded under extraordinary expenses for the portion relating to previous years, amounting to Euro 577,927.

Provision for assets under rental refers to restoration costs for assets leased by Tessitura Sidoti S.r.l., based on the business unit rental contract subscribed with Oldtex S.r.l., as previously described.

Note 14—Provision for employee severance indemnities

The provision reflects the liability due to employees as of December 31, 2012, less advances paid and transfers made to INPS Treasury Fund and Open Funds.

The changes in 2012 compared to December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet were as follows:

in Euro	Pro-forma as of December 31, 2011 (unaudited)	Other increases	Provisions	Decreases	Payments	As of December 31, 2012
Severance indemnity liability	328,004	68,155	576,832	(548,764)	(65,383)	358,844
Advances	(136,971)	(1,793)	—	—	27,065	(111,699)
Payments to supplementary funds	35,917	919	—	—	—	36,836
Total provision for emloyee severance indemnity	**226,950**	**67,281**	**576,832**	**(548,764)**	**(38,318)**	**283,981**

The column "other increases" refers to the acquisition of the personnel of the business unit represented by the outlets of Serravalle (AL), Valmontone (RM) and Franciacorta(BS).

The provisions are summarized as follows:

TFR	Year ended December 31, 2011 Pro-forma (unaudited)	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2012
INPS Treasury Fund	290,969	462,042	5,803
Other supplementary funds	90,378	101,377	279
Company fund	30,089	13,413	37
Total provision for severance indemnity liability	**411,436**	**576,832**	**6,119**

Note 15—Payables

The changes in payables are shown in the following table:

In Euro	As of December 31, 2012	Pro-forma as of December 31, 2011 (unaudited)	Changes
Shareholder loan	72,164,167	—	72,164,167
Bank loans	67,655,200	14,134,172	53,521,028
Trade payables	36,389,519	31,169,048	5,220,471
Payables due to controlled entities	—	3,707,628	(3,707,628)
Tax payables	3,794,987	2,748,344	1,046,643
Social security payables	638,790	495,490	143,300
Other payables	10,475,006	5,569,999	4,905,007
Total payables	**191,117,669**	**57,824,681**	**133,292,988**

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 December 31, 2012 includes non cash interests accrued from the drawdown date, amounting to Euro 2,164,167 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 1,039,028 and loans (all unsecured) for Euro 66,616,172.

The following table reports the breakdown of bank loans as of December 31, 2012 compared to December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet:

		Changes in the year				Maturity			
In Euro	Pro-forma as of December 31, 2011 (unaudited)	Repayments	Drawdown	As of December 31, 2012	Earthquake moratorium	within one year	beyond one year	within 5 years	beyond 5 years
CARISBO	906,021	(96,452)	—	809,569	95,557	198,049	611,520	809,569	—
CARIGE	542,082	(71,954)	—	470,128	78,284	149,218	320,910	470,128	—
BANCA MODENESE	89,793	(89,793)	—	—	—	—	—	—	—
BPER	149,093	(92,566)	—	56,527	56,527	56,527	—	56,527	—
BPER—SACE	1,949,279	(271,453)	—	1,677,826	273,759	549,843	1,127,983	1,677,826	—
BPER	1,428,302	(144,410)	—	1,283,892	145,775	292,926	990,966	1,283,892	—
BNL	932,813	(124,376)	—	808,437	95,557	248,750	559,687	808,437	—
CENTROBANCA	1,050,000	(300,000)	—	750,000	300,000	600,000	150,000	750,000	—
BPCI	856,490	(96,697)	—	759,793	97,752	196,600	563,193	759,793	—
UNICREDIT (pool)	—	—	60,000,000	60,000,000	—	3,000,000	57,000,000	44,000,000	16,000,000
Total bank loans	**7,903,873**	**(1,287,701)**	**60,000,000**	**66,616,172**	**1,143,211**	**5,291,913**	**61,324,259**	**50,616,172**	**16,000,000**

As illustrated in the column "earthquake moratorium" the original repayment plans were amended following the delay granted to companies located in the territories hit by earthquake in May 2012. This delay involve repayments for Euro 1,143,211, corresponding to one half-year repayments.

Changes in the year relate to 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 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 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. Interests are 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 Euro 45,000,000 (these contracts are effective from January 1, 2013);
- 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 within the end of each year. During 2012 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 December 31, 2018, in accordance with a pre-determined repayment plan.

The Senior Loan provides for a series of periodic disclosures, as well as compliance with some financial and equity ratios (covenants), calculated on the consolidated figures and 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.

The above mentioned Senior Loan is secured by a pledge over all the Parent Company quotas and the trademark "TWIN SET—Simona Barbieri".

<u>Trade payables</u>, amounting to Euro 36,389,519, mainly refer principally to supply of goods and services and to agents commissions. The increase compared to December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet of Euro 5,220,471 is principally attributable to the increased business activities.

<u>Payables due to controlled entities</u> amount to zero as of December 31, 2012. The amount in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet, amounting to Euro 3,707,628, was related to Luciano Padovan S.r.l. for commercial relationship with Light Force (Euro 3,408,446) and for the national fiscal consolidation contract (Euro 299,182).

<u>Tax payables</u>, amounting to Euro 3,794,987 (Euro 2,748,344 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), are exposed net of advances paid and withholding taxes receivables. This account is composed by withholding taxes on employees and professionals for Euro 507,421 (Euro 417,868 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), IRES and IRAP payables of Euro 2,739,093 (Euro 1,822,040 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and Euro 511,007 (Euro 367,193 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) respectively, the payable for the judicial settlement made by Light Force in 2010 for Euro 31,558 (Euro 94,213 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), VAT payables of the subsidiary Tessitura Sidoti for Euro 5,237 (Euro 4,693 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and other tax payables for Euro 671.

<u>Social security payables</u>, amounting to Euro 638,790 (Euro 495,490 in the December 31, 2011 unaudited Pro-forma), mainly refer to INPS payables for Euro 515,426 (Euro 485,079 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), ENASARCO for Euro 97,776 (Euro 59,858 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), INAIL for

Euro 14,956 (Euro 13,553 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and other social security institutions for Euro 10,632.

Other payables, amounting to Euro 10,475,006 (Euro 5,569,999 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), include payables to employees for salary, vacation yet not taken, additional salary (called 13th and 14th months) and the relative social contributions for Euro 1,618,648 (Euro 1,304,895 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), payables to directors for Euro 12,721 (Euro 125,865 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), payables for a business unit purchase for Euro 230,000 (Euro 2,300,000 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and other payables for Euro 1,603,341 (Euro 1,971,934 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), including payables to customers not offsettable with trade receivables for Euro 1,558,435 (Euro 1,830,152 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet).

The main change compared to previous year was the payment of the installments due for the acquisition of the business unit, settled with final payment on January 10, 2013.

The account also includes the "Earn Out" payable, established as Euro 7,000,000, due to previous owners of Light Force related to the acquisition of the company, based on achieving certain profitability conditions of Light Force for the year 2012, plus related accrued interests from the date of investment disposal, amounting to Euro 10,296.

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	72,164,167	—	—	72,164,167
Bank loans	67,655,200	6,330,942	45,324,258	16,000,000
Trade payables	36,389,519	36,389,519	—	—
Tax payables	3,794,987	3,794,987	—	—
Social security payables	638,790	638,790	—	—
Other payables	10,475,006	10,475,006	—	—
Total payables	**191,117,669**	**57,629,244**	**45,324,258**	**88,164,167**

Breakdown of payables by geographic area

The geographic breakdown of trade payables is as follows:

Percentage	As of December 31, 2012 %	Pro-forma as of December 31, 2011 % (unaudited)
Italy	74.1%	74.2%
EU	1.5%	2.0%
Non EU	24.4%	23.8%
Total	**100%**	**100%**

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

Financial instruments

The Companies of the Group did not issue financial instruments.

Project finance loans

The Companies of the Group did not issue loans to a specific business.

Note 16—Accrued expenses and deferred income

This account amounts to Euro 275,432 as of December 31, 2012 (Euro 112,834 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and includes deferred income related to rents for Euro 3,469 (Euro 3,388 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet) and the following accrued expenses:

In Euro	As of December 31, 2012	Pro-forma as of December 31, 2011 (unaudited)	Change
Interest—Revolving Line	90,315	—	90,315
Interest—Capex Line	94,078	—	94,078
Interest—Loan Line	10,473	—	10,473
Other loan interest	29,214	18,027	11,187
Condominium expenses and local taxes	35,399	27,199	8,200
Insurance	—	50,314	(50,314)
Confindustria	—	8,871	(8,871)
Rentals	—	7,370	(7,370)
Other	15,953	1,053	14,900
Total accrued expenses	**275,432**	**112,834**	**162,598**

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

Note 17—Memorandum accounts

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 2,236,600.

Memorandum accounts also include commitments related to the business unit rental contract signed by the subsidiary Tessitura Sidoti S.r.l., as further described in Note 2—consolidation area paragraph, corresponding to the price established for the exercise of the purchase option on business rented net of the net equity subject to the rental contract.

In relation to the commitments related to USD forward purchase contracts in place as of December 31, 2012 amounting to Euro 13,124,318 (Euro 6,540,084 in the December 31, 2011 unaudited Pro-Forma Consolidated Balance Sheet), please refer to the following table:

Bank	Amount (USD)	Operation date	Maturity date	Spot rate	Premium	Exchange rate	Capital	Interest	Total transactions	Exhange difference
Carige	3,000,000	03.10.2012	31.10.2013	1.2902	0.0052	1.2954	2,325,221	9,334	2,315,887	(51,460)
Carige	3,000,000	02.10.2012	29.11.2013	1.2890	0.0056	1.2946	2,327,386	10,067	2,317,318	(53,625)
Carige	3,000,000	02.10.2012	29.11.2013	1.2900	0.0054	1.2954	2,325,581	9,694	2,315,887	(51,821)
BNL	2,000,000	04.10.2012	15.10.2013	1.2947	0.0045	1.2992	1,544,759	5,351	1,539,409	(28,919)
BNL	3,000,000	08.10.2012	31.12.2013	1.2967	0.0054	1.3021	2,313,565	9,595	2,303,971	(39,804)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	2,435	760,167	(4,682)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	2,435	760,167	(4,682)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	2,435	760,167	(4,682)
Total	17,000,000						13,124,318	51,345	13,072,973	(239,674)

During April, 2013 the Company settled in advance the USD forward purchase contract in place with BNL with original maturity on October 15, 2013, realizing a gain of Euro 16,832.

Note 18—Revenue and income

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Revenue	73,701	144,534,642	103,611,275	40,923,367
Other income and internally generated assets	211,234	1,107,309	773,911	333,398
Change in work in progress, semifinished and finished product inventories	(29,503)	5,563,816	15,295,794	(9,731,978)
Total revenue and income	**255,432**	**151,205,767**	**119,680,980**	**31,524,787**

Revenue refers to sales occurred during the year through the various channels—Retail, Wholesale and Shop Online, in addition to the subsidiary's third party sales.

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

As of December 31, 2012 the Group operated in the retail channel through 28 stores (18 directly-operated stores—DOS and 10 outlets located in Italy). 7 DOS and 4 outlets were opened in Italy during 2012, while 1 italian DOS has been closed during the same period.

Breakdown of revenue by geographic area

The geographic breakdown of revenue is as follows:

Percentage	Year ended December 31, 2012 Pro-forma % (unaudited)	Year ended December 31, 2011 Pro-forma % (unaudited)
Italy	70.6%	70.1%
EU	20.2%	21.4%
Non EU	9.2%	8.5%
Total	100%	100%

Consolidated revenue for the year ended December 31, 2012 (Euro 73,701) only refer to the sales of the stores and outlets for the single day December 31, 2012, effective date of the merger and therefore entirely related to Italy.

Other income and internally generated assets are composed of:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Other revenue from related companies	—	194,995	13,021	181,974
Rental income	112	155,353	138,694	16,659
Reimbursements	—	115,873	142,470	(26,597)
Royalties	—	166,544	300,000	(133,456)
Ordinary gains	—	9,248	100	9,148
Service Agreement	208,322	—	—	—
Prior year income	—	269,319	—	269,319
Other revenue	2,800	—	179,626	(179,626)
Internally generated assets	—	195,977	—	195,977
Total other income and internally generated assets	**211,234**	**1,107,309**	**773,911**	**333,398**

Other revenue from related companies refers almost exclusively to raw materials sales to Liviana Conti S.r.l. and Luciano Padovan S.r.l.

Rental income refers to the recharge of a portion of rental costs to third parties, including Liviana Conti S.r.l., a third party and sublessor, for Euro 116,241 (Euro 113,694 in the 2011 unaudited Pro-Forma Consolidated Income Statement).

Royalties recorded in the 2011 unaudited Pro-Forma Consolidated Income Statement refer to sales previously marketed by third parties that, starting from the second part of 2011, are directly managed by the Parent Company.

Service Agreement refers to revenue from service contracts in force during the year between FDS2 and LF.

About internally generated assets, entirely related to LF, please refer to Note 5.

Note 19—Operating costs

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Purchase of raw material, goods and changes in inventory	102	53,476,986	48,792,802	4,684,184
Cost of services	240,929	44,243,870	34,976,622	9,267,248
Rent	1,062	5,002,221	3,666,051	1,336,170
Personnel costs	152,860	11,098,017	8,013,999	3,084,018
Depreciation and Amortization	450,342	3,419,815	2,313,428	1,106,387
Write-downs of trade receivables	—	593,521	764,569	(171,048)
Provisions	—	6,440	922,764	(916,324)
Other operating costs	3,672	755,822	441,522	314,300
Total operating costs	**848,967**	**118,596,692**	**99,891,757**	**18,704,935**

Purchase of raw material, goods and changes in inventory refers 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	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Raw materials, supplementary materials, consumables and goods	102	54,595,997	50,760,519	3,835,478
Change in inventories of raw materials, supplementary materials, consumables and goods	0	(1,119,011)	(1,967,717)	848,706
Total purchase of raw materials, goods and changes in inventory	**102**	**53,476,986**	**48,792,802**	**4,684,184**

The breakdown and changes in cost of services in the year were as follows:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
External works	—	13,501,894	11,024,093	2,477,801
Agent commissions	60	9,645,435	7,430,750	2,214,685
Marketing and advertising	—	7,371,777	6,344,728	1,027,049
Logistics and transport	—	6,881,355	4,938,072	1,943,283
Other service costs	9,717	3,417,250	1,950,822	1,466,428
Administrative	218,502	2,122,336	2,163,061	(40,725)
Insurance	5,387	840,433	728,539	111,894
Travelling expenses	7,263	463,390	396,557	66,833
Total cost of services	**240,929**	**44,243,870**	**34,976,622**	**9,267,248**

The breakdown and changes in rent costs are as follows:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Rent expenses for shop,outlet and showroom	1,062	4,064,345	2,765,325	1,299,020
Rent expenses for headquarters	—	772,722	742,245	30,477
Other rent expenses	—	165,154	158,481	6,673
Total rent	**1,062**	**5,002,221**	**3,666,051**	**1,336,170**

The significant increase in rent expenses for shop, outlet and showroom is related to the new store and outlet openings occurred during the year.

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

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Wages and salaries	113,227	8,093,162	6,038,761	2,054,401
Social security contribution	33,514	2,428,023	1,563,802	864,221
Employee severance indemnities	6,119	576,832	411,436	165,396
Total personnel costs	**152,860**	**11,098,017**	**8,013,999**	**3,084,018**

The increase in personnel costs is due to the increased Parent Company's employees number, hired to strengthen the Retail channel sales force. The following table provide a breakdown of employees number by category:

Number of employees	As of December 31, 2012
Senior Executives	3
Managers	7
Clerical/administrative staff	113
Workers	51
Retail staff	143
Total employees number	**317**

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

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Depreciation	3,283	1,201,676	1,039,393	162,283
Amortization	447,059	2,218,139	1,274,035	944,104
Total Depreciation and Amortization	**450,342**	**3,419,815**	**2,313,428**	**1,106,387**

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 increased by Euro 314,300 compared to 2011 unaudited Pro-Forma Consolidated Income Statement and mainly refer to stationery, gratuities and other taxes. This account also includes losses on receivables for Euro 22,138 (Euro 5,360 in the 2011 unaudited Pro-Forma Consolidated Income Statement), prior year expenses for Euro 123,812 and losses for disposals of property, plant and equipment for Euro 5,643 (Euro 100 in the 2011 unaudited Pro-Forma Consolidated Income Statement).

Note 20—Financial income and expenses

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Other financial income	1,018	379,353	255,414	123,939
Interest and other financial expenses	(3,994,469)	(4,679,913)	(304,019)	(4,375,894)
Foreign exchange gains/(losses)	(10,593)	(30,165)	(3,129)	(27,036)
Total financial income/(expenses)	**(4,004,044)**	**(4,330,725)**	**(51,734)**	**(4,278,991)**

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

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

In Euro	Period from June 15 to December 31, 2012			Year ended December 31, 2012 Pro-forma (unaudited)			Year ended December 31, 2011 Pro-forma (unaudited)		
	Total	Short-term	Med./L. term	Total	Short-term	Med./L. term	Total	Short-term	Med./L. term
Shareholder loan interest	2,164,167	—	2,164,167	2,164,167	—	2,164,167	—	—	—
Bank interest									
Loan interest	*1,784,127*	—	*1,784,127*	*1,886,083*	—	*1,886,083*	*200,304*	—	*200,304*
Overdraft and short-term loan interest	*35,879*	*35,879*	—	*160,029*	*160,029*	—	*74,105*	*74,105*	—
Bank charges	—	—	—	*457,940*	*457,940*	—	—	—	—
Interest on tax payables	—	—	—	921	921	—	29,413	29,413	—
Other interest expenses	10,296	10,296	—	10,773	10,773	—	197	197	—
Total interest and other financial expenses	**3,994,469**	**46,175**	**3,948,294**	**4,679,913**	**629,663**	**4,050,250**	**304,019**	**103,715**	**200,304**

The most significant expenses relate to interests accrued on Shareholder loan (Euro 2,164,167) and on Senior Loan (Euro 1,771,743).

Bank charges mainly include commissions on the unused Revolving Line and Capex Line for total Euro 432,087.

Exchange gains and losses for the year are composed of:

In Euro	Period from June 15 to December 31, 2012			Year ended December, 31 2012 Pro-forma (unaudited)			Year ended December, 31 2011 Pro-forma (unaudited)		
	Total	Gains	Losses	Total	Gains	Losses	Total	Gains	Losses
Exchange gains/(losses)realised	(1,435)	3,041	(4,476)	172,969	614,794	(441,825)	126,107	405,774	(279,667)
Exch. gains/(losses) not realised	(9,158)	3,213	(12,371)	(203,134)	55,439	(258,573)	(129,236)	5,275	(134,511)
Total exchange gains/(losses)	**(10,593)**	**6,254**	**(16,847)**	**(30,165)**	**670,233**	**(700,398)**	**(3,129)**	**411,049**	**(414,178)**

Exchange gains and losses occurred in the 2012 unaudited Pro-Forma Consolidated Income Statement refer to US Dollar forward purchase contracts closed, which generated exchange gains and losses of Euro 274,401 and Euro 67,784 respectively.

As illustrated in Note 17, these contracts resulted in total losses of Euro 239,674 for the year ended December 31, 2012.

Note 21—Impairment of investments

No impairment of investments have been recorded in the consolidated income statement for the year ended December 31, 2012.

The amount of Euro 3,750,002 recorded in the 2011 unaudited Pro-Forma Consolidated Income Statement refers to the total write-down of financial receivables due to Light Force by Luciano Padovan S.r.l. as of December 31, 2011.

The consolidated financial statements as of December 31, 2011 included within financial assets held for sale the investment in the company Luciano Padovan S.r.l., amounting to 90% of the share capital. That investment (corresponding to an original cost of Euro 2 million) was registered with a value equal to zero since it was fully written down as of December 31, 2010.

The Luciano Padovan Shareholders' Meeting of April 27, 2012 approved the reduction of the share capital and the simultaneous share capital increase pursuant to Article 2482-*ter* of the Civil Code, and following the non-exercise of the pre-emptive right by the minority shareholder (Silhouette S.r.l.) Light Force became the sole Shareholder. Within this operation Light Force waivered the repayment of the three loans previously described under "Receivables due from controlled entities", recorded as of December 31, 2011 for a total amount of Euro 3,750,002, already fully written down at the same date, in order to cover the losses and to subscribe the capital increase and relative share premium of the subsidiary.

On July 19, 2012, Light Force sold the 100% share capital of Luciano Padovan S.r.l. to the former minority shareholder of Light Force, Light My Fire S.r.l. generating a loss on disposals of Euro 2,200,818.

Note 22—Extraordinary income and expenses

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Extraordinary income	1	2,593,806	196,632	2,397,174
Extraordinary expenses	—	(3,583,072)	(148,975)	(3,434,097)
Total extraordinary income/(expenses)	**1**	**(989,266)**	**47,657**	**(1,036,923)**

Extraordinary income recorded in 2012 refers to Euro rounding differences.

For a breakdown of extraordinary income reference should be made to the following table:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Gains on disposals	—	2,351,386	—	2,351,386
Other extraordinary income	1	242,420	196,632	45,788
Total extraordinary income	**1**	**2,593,806**	**196,632**	**2,397,174**

Gains on disposals related to 2012 unaudited Pro-Forma Consolidated Income Statement refer to the disposal of the total investment in the company Liviana Conti S.r.l.

Other extraordinary income include for Euro 242,177 the IRES reimbursement pursuant to Legislative Decree 201/2011 concerning the years 2007/2011 and 2012 of the incorporated Light Force. The residual amount of Euro 243 refers to extraordinary prior years income.

For a breakdown of extraordinary expenses referenfe should be made to the following table:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Losses on disposals	—	(2,200,818)	—	(2,200,818)
Prior years taxes	—	(219)	(380)	161
Other extraordinary expenses	—	(1,382,035)	(148,595)	(1,233,440)
Total extraordinary expenses	**—**	**(3,583,072)**	**(148,975)**	**(3,434,097)**

Losses on disposals included in the 2012 unaudited Pro-Forma Consolidated Income Statement refer to the disposal of the 90% shareholding investment in the company Luciano Padovan S.r.l.

Other extraordinary expenses include costs incurred following the earthquake in May 2012 for Euro 470,029, goods theft for Euro 304,196, cash theft within the stores for Euro 27,084, provision for returns on previous seasons sales for Euro 577,927 and other prior year extraordinary expenses for Euro 2,800.

Note 23—Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

In Euro	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Current taxes	—	(10,624,358)	(7,441,945)	(3,182,413)
Deferred taxes	293	(12,240)	635	(12,875)
Prepaid taxes	2,507,275	2,865,992	892,702	1,973,290
Total income tax	**2,507,568**	**(7,770,606)**	**(6,548,608)**	**(1,221,998)**

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, 2011			Decreases 2012			Increases 2012						Deferred tax assets as of December 31, 2012		
Description of temporary differences	Assessable	%	Tax (a)	Assessable	%	Tax (b)	Increase from merger (*)	%	Tax (d)	Other increases	%	Tax (d)	Assessable	%	Tax (a-b+c+d)
Interest expense from ROL Test	—	27.5	—	—	27.5	—	—	27.5	—	3,993,451	27.5	1,098,199	3,993,451	27.5	1,098,199
Tax losses	—	27.5	—	—	27.5	—	—	27.5	—	571,057	27.5	157,041	571,057	27.5	157,041
ACE carried forward	—	27.5	—	—	27.5	—	—	27.5	—	4,549,437	27.5	1,251,095	4,549,437	27.5	1,251,095
Amortization of intangible assets	—	31.4	—	—	31.4	—	131,690	31.4	41,351	—	31.4	—	131,690	31.4	41,351
Exchange losses	—	27.5	—	1,500	27.5	413	274,098	27.5	75,378	12,371	27.5	3,402	284,970	27.5	78,369
Doubtful debt provision	—	27.5	—	7,456	27.5	2,050	1,611,438	27.5	443,146	—	27.5	—	1,603,982	27.5	441,096
Obsolescence provision	—	31.4	—	—	31.4	—	4,096,808	31.4	1,286,398	—	31.4	—	4,096,808	31.4	1,286,398
Agent indemnity	—	31.4	—	—	31.4	—	1,031,217	27.5	294,851	—	27.5	—	1,031,217	27.5	294,851
Dues not paid	—	31.4	—	—	31.4	—	102	31.4	32	—	31.4	—	102	31.4	32
Risk provisions	—	27.5	—	—	27.5	—	1,542,927	27.5	424,305	—	27.5	—	1,542,927	27.5	424,305
Deferred tax asset on consolidation adjustments	—	31.4	—	—	31.4	—	—	31.4	—	40,177	31.4	12,615	40,177	31.4	12,615
Total deferred tax assets	—		—	8,956		2,463	8,688,281		2,565,462	9,166,493		2,522,352	17,845,817		5,085,352

Deferred tax liability In Euro	As of December 31, 2011			Decreases 2012			Increases 2012						Deferred tax liabilities as of December 31, 2012		
Description of temporary differences	Assessable	%	Tax (a-b+c)	Assessable	%	Tax (b)	Increase from merger (*)	%	Tax (c)	other increases	%	Tax (d)	Assessable	%	Tax (a-b+c+d)
Unrealised exchange gains	—	27.5	—	—	27.5	—	78,592	27.5	21,613	3,213	27.5	884	81,805	27.5	22,497
Amort. trademark Twin Set allocation of premium paid	—	31.4	—	3,751	31.4	1,178	—	31.4	—	27,380,297	31.4	8,597,413	27,376,546	31.4	8,596,235
Total deferred tax liabilities	—		—	—		—	78,592		21,613	27,383,510		8,598,297	27,458,351		8,618,733

(*) Breakdown of merger balances

Deferred tax asset In Euro	As of December 31, 2011 (LF)			Decreases 2012			Increases 2012			As of December 31, 2012 (LF)		
Description of temporary differences	Assessable	%	Tax (a-b+c) (a-b+c)	Assessable	%	Tax (b) (b)	Assessable	%	Tax	Assessable	%	Tax (a-b+c) (a-b+c)
Amortization of intangible assets	131,690	31.4	41,351	—	31.4	—	—	31.4	—	131,690	31.4	41,351
Exchange losses	155,806	27.5	42,847	127,909	27.5	35,175	246,202	27.5	67,706	274,098	27.5	75,378
Doubtful debt provision	1,529,392	27.5	420,583	277,684	27.5	76,363	359,729	27.5	98,926	1,611,438	27.5	443,146
Obsolescence provision	3,632,547	31.4	1,140,620	—	31.4		464,261	31.4	145,778	4,096,808	31.4	1,286,398
Agent indemnity	765,288	31.4	227,098	132,583	31.4	41,631	398,512	27.5	109,591	1,031,217	27.5	294,851
Dues not paid	8,923	27.5	2,595	8,923	31.4	2,802	102	31.4	32	102	31.4	32
Risk provisions	1,206,000	27.5	331,650	354,000	27.5	97,350	690,927	27.5	190,005	1,542,927	27.5	424,305
Total deferred tax assets	7,429,646		2,206,745	901,099		253,321	2,159,733		612,038	8,688,281		2,565,462

Deferred tax liability In Euro	As of December 31, 2011 (LF)			Decreases 2012			Increases 2012			As of December 31, 2012 (LF)		
Description of temporary differences	Assessable	%	Tax (a-b+c)	Assessable	%	Tax (b)	other increases	%	Tax	Assessable	%	Tax (a-b+c)
Unrealised exchange gains	26,366	27.5	7,251	—	27.5	—	52,226	27.5	14,362	78,592	27.5	21,613
gains fiscally deferred	6,650	27.5	1,829	6,650	27.5	1,829	—	27.5	—	—	27.5	—
Total deferred tax liabilities	33,016		9,080	6,650		1,829	52,226		14,362	78,592		21,613

Note—24 Other information to be provided in the explanatory notes

Changes in Exchange Rates after the year-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	Period from June 15 to December 31, 2012	Year ended December 31, 2012 Pro-forma (unaudited)	Year ended December 31, 2011 Pro-forma (unaudited)	Changes
Board of Directors	12,080	563,360	604,783	(41,423)
Board of Statutory Auditors	22,989	89,819	38,817	51,002
Independent Auditors	0	99,066	109,767	(10,701)
Total remuneration	**35,069**	**752,245**	**753,367**	**(1,122)**

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 the companies Liviana Conti S.r.l. and K8 S.r.l., operating in the women's clothing and accessory sector and marketed under the brands "Liviana Conti" and "Erika Cavallini—Semi-Couture", respectively. Each of these companies 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 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.

Attachment A

In Euro		Consolidated Pro-forma as of December 31, 2012 (unaudited)
A	NET CASH AT THE BEGINNING OF THE PERIOD* (A)	6,251,154
	Cash flow from operating activities	
	Profit (loss) for the financial year	19,511,009
	Amortization	2,218,139
	Depreciation	1,201,676
	Interest expense on shareholders' loan	4,210,279
	Gains/ (loss) from disposals of assets	(150,569)
	Changes in deferred tax assets and liabilities	(2,848,451)
	Changes in provisions for risks and charges	656,149
	Changes in employee severance indemnities	57,031
	Cash flow from operating activities before changes in net working capital	**24,855,263**
	Changes in inventories	(6,469,046)
	Changes in trade receivables	(4,403,946)
	Changes in trade and other payables	2,677,793
	Changes in other current assets and liabilities	(316,817)
	Changes in net working capital	**(8,512,016)**
	Interest paid	**(1,824,106)**
B	NET CASH FLOW FROM OPERATING ACTIVITIES	14,519,141
	Cash flow from investing activities	
	Investments in intangible assets	(3,749,220)
	Payment of Earn-out debt	(2,070,000)
	Investments in property, plant and equipment	(1,906,239)
	Acquisition of Luciano Padovan Srl	(2,200,817)
	Disposals of Liviana Conti Srl and Luciano Padovan Srl	2,500,001
C	NET CASH FLOW FROM INVESTING ACTIVITIES	(7,426,275)
	Cash flow from financing activities	
	Repayments of loans	(1,287,701)
D	NET CASH FLOW FROM FINANCING ACTIVITIES	(1,287,701)
E	CASH FLOW FOR THE PERIOD (B+C+D)	5,805,165
F	NET CASH AT THE END OF THE PERIOD* (A+E)	12,056,319

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

Attachment B

In Euro	As of December 31, 2012	Pro-forma Consolidated Balance Sheet as of December 31, 2011 (unaudited)
Assets		
Intangible assets	250,397,648	10,204,710
of which goodwill	*206,832,527*	*3,578,215*
Property, plant and equipment	3,862,538	3,157,975
Other financial assets	5	148,619
Total intangible assets, PP&E and other financial assets	**254,260,191**	**13,511,304**
Inventories	39,843,844	33,374,798
Trade receivables	38,069,929	34,247,484
Receivables from controlled entities	—	35,766
Tax receivables	1,691,846	2,571,600
Deferred tax assets	5,085,352	2,224,661
Other receivables	2,660,804	1,163,783
Cash and cash equivalents	13,095,347	12,481,453
Total current assets	**100,447,122**	**86,099,545**
Other accrued income & prepaid expenses	500,396	242,906
Total assets	**355,207,709**	**99,853,755**

In Euro	As of December 31, 2012	Pro-forma Consolidated Balance Sheet as of December 31, 2011 (unaudited)
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	500,000	368,868
Reserves	153,199,999	29,280,872
Profit/(Loss) for the period	(2,090,010)	9,483,084
Total Group Shareholders' equity	**151,609,989**	**39,132,824**
Equity attributable to non-controlling interests	19,835	8,452
Total Shareholders' equity	**151,629,824**	**39,141,276**
Liabilities		
Provisions for risks and charges	3,278,601	2,535,546
Deferred tax liabilities	8,618,733	9,080
Provisions for employee severance indemnities	283,981	226,950
Shareholder loan	72,164,167	—
Bank loans	67,655,200	14,134,172
Trade payables	36,389,519	31,169,048
Payables due to controlled entities	—	3,707,628
Tax payables	3,794,987	2,748,344
Social security payables	638,790	495,490
Other payables	10,475,006	5,569,999
Other accrued expenses and deferred income	278,901	116,222
Total Liabilities	**203,577,885**	**60,712,479**
Total liabilities and Shareholders' equity	**355,207,709**	**99,853,755**
Memorandum accounts		
Guarantees	2,236,600	4,800,000
Other memorandum accounts	13,124,318	6,540,084
Commitments related to the business rented by Tessitura Sidoti s.r.l	(18,948)	(62,573)
Total memorandum accounts	**15,341,970**	**11,277,511**

In Euro	Pro-forma Consolidated Income Statement for the year ended December 31, 2012 (unaudited)	Pro-forma Consolidated Income Statement for the year ended December 31, 2011 (unaudited)
Income statement		
Revenue	144,534,642	103,611,275
Other income and internally generated assets	1,107,309	773,911
Change in work in progress, semifinished and finished product inventories	5,563,816	15,295,794
Total revenue and income	**151,205,767**	**119,680,980**
Purchase of raw material, goods and changes in inventory	53,476,986	48,792,802
Cost of services	44,243,870	34,976,622
Rent	5,002,221	3,666,051
Personnel costs	11,098,017	8,013,999
Depreciation and Amortization	3,419,815	2,313,428
Write-downs of trade receivables	593,521	764,569
Provisions	6,440	922,764
Other operating costs	755,822	441,522
Total operating costs	**118,596,692**	**99,891,757**
Operating profit	**32,609,075**	**19,789,223**
Financial income/(expenses)	(4,330,725)	(51,734)
Impairment of investments	—	(3,750,002)
Extraordinary income/(expenses)	(989,266)	47,657
Profit before tax	**27,289,084**	**16,035,144**
Income tax	(7,770,606)	(6,548,608)
Profit for the period	**19,518,478**	**9,486,536**
Attributable to non-controlling interests	*7,469*	*3,452*
Attributable to the Group	*19,511,009*	*9,483,084*

TWIN-SET

SIMONA BARBIERI

LIGHT FORCE S.r.l.

Consolidated Financial Statements
as of and for the period
from January 1 to December 30, 2012

Deloitte.

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 30, 2012 PREPARED FOR THE SOLE PURPOSE OF INCLUSION IN THE OFFERING MEMORANDUM

To the Board of Directors of
TWIN SET—SIMONA BARBIERI S.r.l.

1. We have audited the consolidated financial statements of Light Force S.r.l. (the "Company") and subsidiary (the "Light Force Group") as of December 30, 2012 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared solely for inclusion in the offering memorandum (the "Offering Memorandum") prepared in connection with the issuance of senior secured notes of Twin Set—Simona Barbieri S.r.l, that on December 30, 2012 merged by incorporation the Company, to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. The Directors of Twin Set—Simona Barbieri S.r.l, are responsible for the preparation of these Consolidated Financial Statements in accordance with the accounting principles issued by OIC (Organismo Italiano di Contabilità), the Italian Accounting Body ("Italian GAAP"). Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements included in the Offering Memorandum, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on June 24, 2014.

3. In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Light Force Group as of December 30, 2012, and of the results of its operations for the year then ended in accordance with the Italian GAAP.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Partner

Milan, Italy
June 24, 2014

CONSOLIDATED BALANCE SHEET
As of December 30, 2012

In Euro	Notes	As of December 30, 2012	As of December 31, 2011
Assets			
Intangible assets	5	15,563,186	10,266,063
of which goodwill	*5*	*3,367,393*	*3,578,215*
Property, plant and equipment	6	3,865,758	3,274,287
Other financial assets	7	5	6,859
Total intangible assets, PP&E and other financial assets		**19,428,949**	**13,547,209**
Inventories	8	39,873,346	36,025,368
Trade receivables	9	47,324,886	38,655,284
Receivables from controlled entities	9	—	21,423
Receivables from controlling entities	9	1,761,271	—
Tax receivables	9	1,267,638	3,047,210
Deferred tax assets	9	2,578,078	2,970,547
Other receivables	9	2,814,313	1,197,132
Cash and cash equivalents	10	9,476,041	12,485,554
Total current assets		**105,095,573**	**94,402,518**
Accrued income and prepaid expenses	11	712,418	344,165
Total assets		**125,236,940**	**108,293,891**

In Euro	Notes	As of December 30, 2012	As of December 31, 2011
Liabilities and Shareholders' equity			
Shareholders' equity			
Share capital	12	368,868	368,868
Reserves	12	38,732,889	29,288,923
Retained earnings	12	282,783	23,394
Profit/(loss) for the period	12	21,384,529	9,703,355
Total Group Shareholders' equity		**60,769,069**	**39,384,540**
Equity attributable to non-controlling interests	12	19,835	8,452
Total Shareholders' equity		**60,788,904**	**39,392,992**
Liabilities			
Provisions for risks and charges	13	3,145,084	3,014,354
Deferred tax liabilities	23	21,613	11,455
Provisions for employee severance indemnities	14	284,715	588,353
Bank loans	15	13,922,956	16,770,845
Client advances	15	—	158,216
Trade payables	15	39,164,214	34,785,325
Payables due to controlled entities	15	—	3,707,628
Tax payables	15	3,790,823	3,260,749
Social security payables	15	603,636	572,264
Other payables	15	3,249,384	5,909,105
Accrued expenses and deferred income	16	265,611	122,604
Total liabilities		**64,448,036**	**68,900,898**
Total liabilities and shareholders' equity		**125,236,940**	**108,293,891**
Memorandum accounts			
Guarantees	17	2,236,600	9,475,097
Other memorandum accounts	17	13,124,318	6,540,084
Commitments related to the business rented by Tessitura Sidoti S.r.l.	17	(18,948)	(62,573)
Total memorandum accounts		**15,341,970**	**15,952,608**

CONSOLIDATED INCOME STATEMENT

For the period from January 1 to December 30, 2012

In Euro	Notes	Period from January 1 to December 30, 2012	Year ended December 31, 2011
Income Statement			
Revenue	18	144,501,118	117,754,878
Other income and internally generated assets	18	1,104,397	1,609,007
Change in work in progress, semifinished and finished product inventories	18	5,593,319	15,734,558
Total revenue and income		**151,198,834**	**135,098,443**
Purchase of raw materials, goods and changes in inventory	19	53,460,004	53,160,726
Cost of services	19	44,211,264	42,873,795
Rent	19	5,001,159	3,791,578
Personnel costs	19	10,945,157	9,448,051
Depreciation and Amortization	19	2,969,473	2,370,823
Write-downs of trade receivables	19	593,521	1,314,569
Provisions	19	6,440	1,197,764
Other operating costs	19	752,150	494,593
Total operating costs		**117,939,168**	**114,651,900**
Operating profit		**33,259,666**	**20,446,544**
Financial income/(expenses)	20	(326,681)	(153,551)
Impairment of investments	21	—	(3,750,002)
Extraordinary income/(expenses)	22	(1,240,984)	45,470
Profit before tax		**31,692,001**	**16,588,461**
Income tax	23	(10,296,089)	(6,881,654)
Profit for the period		**21,395,912**	**9,706,807**
Attributable to non-controlling interests		*11,383*	*3,452*
Attributable to the Group		*21,384,529*	*9,703,355*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from January 1 to December 30, 2012

In Euro	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Amnesty reserve	Other	Consolidation reserve	Retained earnings	Profit/loss for the period/ year	Total
As of December 31, 2010	**368,868**	**9,907,783**	**880,000**	**73,774**	**10,837,550**	**736,335**	**—**	**8,051**	**49,658**	**7,188,031**	**30,050,050**
Allocation of previous year profit					7,214,297		(2)		(26,264)	(7,188,031)	—
Dividend distribution by Parent Company					(368,868)						(368,868)
Profit for the year										9,703,355	9,703,355
Other							3				3
As of December 31, 2011	**368,868**	**9,907,783**	**880,000**	**73,774**	**17,682,979**	**736,335**	**1**	**8,051**	**23,394**	**9,703,355**	**39,384,540**
Allocation of previous year profit					9,452,018		(1)		251,338	(9,703,355)	—
Profit for the period										21,384,529	21,384,529
Other							—	(8,051)	8,051		—
As of December 30, 2012	**368,868**	**9,907,783**	**880,000**	**73,774**	**27,134,997**	**736,335**	**—**	**—**	**282,783**	**21,384,529**	**60,769,069**
Total Group Shareholders' equity											**60,769,069**
—Capital and reserves attributable to non-controlling interests											8,452
—Profit for the period attributable to non-controlling interests											11,383
Total equity attributable to non-controlling interests											**19,835**
Total Shareholders' equity											**60,788,904**

CONSOLIDATED CASH FLOW STATEMENT

For the period from January 1 to December 30, 2012

	In Euro	Period from January 1 to December 30, 2012
A	**NET CASH AT THE BEGINNING OF THE PERIOD***	**4,146,076**
B	**Cash flow provided by the Acquisition/disposal of business**	**2,105,079**
	Net cash flow from operating activities	
	Profit for the period	**21,395,912**
	Amortization	1,771,080
	Depreciation	1,198,393
	Loss on sale of investment in Luciano Padovan S.r.l.	2,200,818
	Gain on sale of investment in Liviana Conti S.r.l.	(2,099,670)
	Change in deferred tax assets and liabilities	(340,884)
	Changes in provisions for risks and charges	609,538
	Changes in employee severance indemnities	57,765
	Cash flow from operating activities before changes in net working capital	**24,792,952**
	Changes in inventories	(6,498,548)
	Changes in trade receivables	(13,041,636)
	Changes in trade and other payables	4,287,538
	Net change in other working capital items	(1,836,681)
	Change in net working capital	**(17,089,327)**
C	**NET CASH FLOW FROM OPERATING ACTIVITIES**	**7,703,625**
	Net cash flow from investing activities	
	Investments in intangible assets	(7,129,556)
	Investments in property, plant and equipment	(1,939,840)
	Disposals of property, plant and equipment	33,664
	Disposal of Luciano Padovan S.r.l.	(2,200,818)
	Disposal of Liviana Conti S.r.l.	2,500,000
D	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(8,736,550)**
	Net cash flow from financing activities	
	Repayment of loans	(1,066,522)
	Payment of interests on Senior loans	(1,761,271)
E	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**(2,827,793)**
F	**NET CASH FLOW FOR THE PERIOD (B+C+D+E)**	**(1,755,639)**
G	**NET CASH AT THE END OF THE YEAR* (A+F)**	**2,390,437**

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

TWIN-SET

SIMONA BARBIERI

LIGHT FORCE S.r.l.

Explanatory Notes
to the Consolidated Financial Statements
as of and for the period
from January 1 to December 30, 2012

Note 1—General information

Light Force (the "Parent Company") and its subsidiary Tessitura Sidoti (together with the Parent Company, the "LF Group") operates in the apparel market; in particular the LF Group designs and produces clothing, accessories and women's and girl's knitwear, marketed under the brands "TWIN SET Simona Barbieri" and "SCEE by TWIN SET".

The consolidated financial statements as of and for the period from January 1 to December 30, 2012 report a net profit for the period of Euro 21,395,912, after depreciation and amortization of Euro 2,969,473, write-downs of trade receivables of Euro 593,521, net financial expenses of Euro 326,681 and income taxes of Euro 10,296,089, for which please refer to the comments of the present document.

Note 2—Basis of presentation

These special purposes consolidated financial statements (the "Consolidated Financial Statements") have been prepared solely for the purposes of their inclusion in the offering memorandum to be prepared in connection with the Company's issuance of senior secured floating rate notes (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S (and only to investors who, if resident in a member state of the European Economic Area, are qualified investors under Directive 2003/71/EC, as amended (the "**Prospectus Directive**")). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market upon their issuance. In addition, application will be made to Borsa Italiana S.p.A. for listing of the notes on the ExtraMOT, Professional Segment upon their issuance.

The consolidated financial statements were approved by the Company's Board of Directors on June 23, 2014.

The Consolidated Financial Statements include the consolidated balance sheet, the consolidate income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the explanatory notes and have been prepared in accordance with Legislative Decree No. 127/1991, pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement as interpreted and integrated 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.). Such rules are collectively referred to Italian Generally Accepted Accounting Principles ("Italian GAAP").

The items reported in the consolidated financial statements have been stated in accordance with the general principles of prudence and accruals and with an appropriate going concern basis, which covers at least twelve months from the 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 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 consolidated income statement as of December 31, 2011, presented for comparative purposes, is considered comparable with the consolidated income statements as of December 30, 2012, given that the financial effects deriving from only one day difference between the two income statements are not significant.

Note 3—Consolidation area and basis of consolidation

Consolidation area

Company	Country	Net Profit/(loss)	Net Equity	Period-End	Holding	Carrying value	Consolidation method
LIGHT FORCE S.r.l.	Italy	21,533,795	60,635,552	30.12.2012			
TESSITURA SIDOTI S.r.l. . .	Italy	102,254	225,913	30.12.2012	90%	45,000	line-by-line

The Consolidated Financial Statements include the financial statements of the Parent Company Light Force and the financial statements of the 90% held subsidiary Tessitura Sidoti S.r.l. as illustrated in the table above.

The subsidiary Tessitura Sidoti S.r.l was incorporated on December 29, 2010 and on January 12, 2011 a business unit rental contract was signed, under which the lessor Oldtex S.r.l. (previously Tessitura Sidoti S.r.l.) granted a rental contract to the subsidiary Tessitura Sidoti S.r.l. of its technical/production business unit. The duration of this contract is 6 years from January 17, 2011.

Please note that the Consolidation area changed during 2012 since the Parent Company sold, on July 19, 2012, the total investment in the company Liviana Conti S.r.l. (a previously 100% held company) realizing a gain on disposal of Euro 2.1 million (for further information please see Note 22—Extraordinary income and expenses).

Please also note that on July 19, 2012 Light Force sold the entirely investment in the company Luciano Padovan S.r.l., realizing a loss on disposals of Euro 2.2 million. This disposal had no effect on the consolidation area because the company was not consolidated as of December 31, 2011 and registered within financial assets held for sale with a value equal to zero since the investment was fully written down (for further information please see Note 21—Impairment of investments).

The LF Group does not hold investments in associated companies; the non-current investments in other companies are accounted for the cost method.

Basis of consolidation

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

The subsidiaries are included in the 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 consolidated financial statements are consolidated on a line-by-line basis, accounting for the non-controlling interest in a proper line item in the Shareholders' equity and in the consolidated income statement.

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

➤ The carrying amount of investments in consolidated company is 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 intangible assets and amortized over its estimated useful life;

➤ All payables, receivables, revenue 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 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 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 assets 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 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	18/20 years
Goodwill	Duration of underlying rental contracts (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contracts, (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 life 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	10.0%
Plant and machinery	12.5%
Industrial and commercial equipment	25.0%
EDP	20.0%
Furniture & fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516 (for Italy)	100.0%

For property, plant and equipment acquired during the period, 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 cost adopted is the purchase cost while for goods produced by LF Group companies cost adopted is the production cost. 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 criteria 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 reasons that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.

Even all other receivables are 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 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 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 LF 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 Consolidated Financial Statements.

Revenue and Costs

Revenue 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 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 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 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 (Item C.17 -bis). 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 LF 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 consolidated financial statements requires management's estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the balance sheet date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from the 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 concerned 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:

					Change in the period									
		As of December 31, 2011					Disposal/Decreases		Change consolidation scope			As of December 30, 2012		
In Euro	Amort. 2011	Hist. cost	Acc. amort.	NBV	Additions 2012	Reclass. Hist. cost	Hist. cost	Acc. amort.	Hist. cost	Acc. amort.	Amort. 2012	Hist. cost	Acc. amort.	NBV
Start up and formation expenses	(19,943)	301,049	(144,694)	156,355	—	—	—	—	—	—	(19,911)	301,049	(164,605)	136,444
Industrial patents and intellectual property rights	(138,592)	743,056	(437,886)	305,170	584,857	38,913	—	—	—	—	(257,352)	1,366,826	(695,238)	671,588
Concessions, licenses, trademarks and similar rights	(70,299)	1,193,629	(395,115)	798,514	44,874	—	—	—	(77,478)	36,239	(65,517)	1,161,025	(424,393)	736,632
Goodwill	(65,415)	3,937,365	(359,150)	3,578,215	7,939	—	—	—	—	—	(218,761)	3,945,304	(577,911)	3,367,393
Assets in progress and advances	—	123,903	—	123,903	337,086	(123,903)	—	—	—	—	—	337,086	—	337,086
Other intangible assets	(991,325)	7,522,528	(2,218,622)	5,303,906	6,154,800	84,990	—	—	(65,278)	45,164	(1,209,539)	13,697,040	(3,382,997)	10,314,043
Total intangible assets	**(1,285,574)**	**13,821,530**	**(3,555,467)**	**10,266,063**	**7,129,556**	**—**	**—**	**—**	**(142,756)**	**81,403**	**(1,771,080)**	**20,808,330**	**(5,245,144)**	**15,563,186**

Start up and formation expenses, amounting to Euro 136,444 as of December 30, 2012, include the incorporation and formation expenses incurred by the Parent Company and the Subsidiary Tessitura Sidoti in previous years.

Industrial patents and intellectual property rights, amounting to Euro 671,588 as of December 30, 2012, include the costs for software licenses for indefinite use, principally held by the Parent Company. The implementation of a new software and new information management system began during previous year. Design activities, started during 2011, were completed during 2012 with the activation of the new management software, necessary to support the growth of the business, with an overall increase of Euro 584,857. Additional software instruments for the management of Retail channel and new IT infrastructural solutions were developed.

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 the minor brands "Paradiso Terrestre", "Zooi", "Mata Mua", "Bulldog", "Baby TWIN SET" and "Girl". The Parent Company invested Euro 44,874 during 2012 in order to register new trademarks and maintain existing trademarks.

Finally, in the financial statements as of December 31, 2005, 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	Book value as of December 30, 2012
"Twin Set—Simona Barbieri" trademark	8,071	1,000,000	107,529	1,115,600

Goodwill refers to the costs incurred by the Parent Company connected to Retail development.

The increase for the period of assets in progress and advances, amounting to Euro 337,086, refers to the development of the new Shop Online software, completed during 2013 spring. Reclassifications refers for Euro 38,913 to the Shop Online software costs and for Euro 84,990 to advances on leasehold improvements for stores under lease contracts, both completed during 2012.

Other intangible assets, amounting to Euro 10,314,043 as of December 30, 2012, include leasehold improvements (Euro 3,223,584), key money paid to secure leases in strategic locations (Euro 4,583,644) and finance expenses for Senior Loan obtained by Fuori dal Sacco 2 (the main Shareholder of the Parent Company) from a syndicate of banks led by UniCredit S.p.A. (Euro 6,877,768, of which approx. 60%, corresponding to Euro 4,143 thousand, remained within Fuori dal Sacco 2 while approx. 40%, corresponding to Euro 2,735 thousand, have been recharged to the subsidiary Light Force). The net book value as of December 30, 2012 of these recharged costs, amortized over the contract duration, amounts to Euro 2,504,003. The residual Euro 2,812 refers to other long-term expenses relating to other loans.

The disposal of Liviana Conti S.r.l. occurred during 2012 resulted in a reduction of the net book value:

- ➤ of concessions, licenses, trademarks and similar rights for Euro 41,239;
- ➤ of other intangible assets for Euro 20,114.

Impairments

The above-mentioned intangible assets were amortized on a straight-line basis as illustrated above; in addition, the LF Group companies did not undertake any write-down.

Note 6—Property, plant and equipment

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

					Change in the period									
		As of December 31, 2011					Disposal/Decreases		Change consolidation scope			As of December 30, 2012		
In Euro	Depre. 2011	Hist. cost	Acc. depre.	NBV	Additions 2012	Reclass. Hist. cost	Hist. cost	Acc. deprec.	Hist. cost	Acc. deprec.	Depre. 2012	Hist. cost	Acc. depre	NBV
Land and buildings .	(514)	5,138	(3,026)	2,112	—	—	—	—	—	—	(512)	5,138	(3,538)	1,600
Plant and machinery	(636,598)	7,935,572	(6,101,598)	1,833,974	282,876	10,477	—	—	(433,451)	389,436	(514,191)	7,795,474	(6,226,353)	1,569,121
Industrial and commercial equipment	(184,926)	1,991,809	(948,849)	1,042,960	1,397,253	—	—	—	(422,161)	349,991	(444,888)	2,966,901	(1,043,746)	1,923,155
Other tangible assets	(263,211)	1,577,445	(1,193,011)	384,434	260,377	330	(76,220)	42,556	(104,658)	103,865	(238,802)	1,657,274	(1,285,392)	371,882
Construction in progress & advances	—	10,807	—	10,807	—	(10,807)	—	—	—	—	—	—	—	—
Total property, plant and equipment . .	**(1,085,249)**	**11,520,771**	**(8,246,484)**	**3,274,287**	**1,940,506**	**—**	**(76,220)**	**42,556**	**(960,270)**	**843,292**	**(1,198,393)**	**12,424,787**	**(8,559,029)**	**3,865,758**

Land and buildings refer to light constructions and, except for depreciation, didn't change compared to previous year.

Plant and machinery include specific and general plant, installed at the premises, factories and warehouses, as well as at the boutiques and outlets, of weaving and production machinery. Increases, amounting to Euro 293,353 (including construction in progress as of December 31, 2011 for Euro 10,477), mainly refer to investments for electric plant, illumination and video surveillance for the new stores and outlets.

Industrial and commercial equipment, amounting to Euro 1,923,155 as of December 30, 2012, mainly includes equipment for the ironing section and furniture and fittings in the various boutiques and directly managed outlets. Increases, amounting to Euro 1,397,253, principally refer to the purchase of fittings for the new stores opened during the year.

Other tangible assets, amounting to Euro 371,882 as of December 30, 2012, mainly include EDP and transport and motor vehicles. Increases in the year, amounting to Euro 260,707 (including construction in progress as of December 31, 2011 for Euro 330), refers to the purchase of ordinary assets. Disposals of other tangible assets undertaken during the year generated total losses of Euro 5,643, recorded under other operating costs.

The net book value of property, plant and equipment decreased due to the disposal of Liviana Conti S.r.l. for the following amounts:

- lower plant and machinery for Euro 44,015;
- lower industrial and commercial equipment for Euro 72,170;
- lower other tangible assets for Euro 793.

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 LF Group companies did not record any write-down.

Note 7—Other financial assets

The financial assets of the LF Group in other companies amount to Euro 5 and entirely concern the investment in the Obligatory National Packaging Consortium (CONAI).

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

	As of December 31, 2011				Changes in the period			As of December 30, 2012			
In Euro	Cost	Reval.	Write-down	NBV	Increases	Decreases	Change consol. scope	Cost	Reval.	Write-down	NBV
1) Investments in —other companies	6,859	—	—	6,859	—	—	(6,854)	5	—	—	5
Total other financial assets	6,859	—	—	6,859	—	—	(6,854)	5	—	—	5

During 2012 the Parent Company sold the full investment in the share capital of Liviana Conti S.r.l., with a carrying value of Euro 148,614, realizing a gain of Euro 2,099,669, recognized under extraordinary income. The reduction in other companies investments occurred during the period, following the above mentioned sale, is connected to the disposal of Liviana Conti's investments in Credito Romagna Est Banca di Credito Cooperativo.

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 December 30, 2012 Gross	As of December 30, 2012 Net	As of December 31, 2011 Gross	As of December 31, 2011 Net	Changes Gross	Changes Net
Raw materials, consumables and goods	5,814,318		5,579,456		234,862	
—obsolescence provision	(771,000)		(1,289,502)		518,502	
		5,043,318		4,289,954		753,364
Work-in-progress and semi-finished products	3,659,526		3,517,672		141,854	
—obsolescence provision	—		—		—	
		3,659,526		3,517,672		141,854
Finished goods	34,496,310		32,143,420		2,352,890	
—obsolescence provision	(3,325,808)		(3,925,678)		599,870	
		31,170,502		28,217,742		2,952,760
Total inventories		39,873,346		36,025,368		3,847,978

Inventories, recorded in accordance with the criteria previously illustrated, include:

- raw materials, consumables and goods, amounting to Euro 5,043,318, net of the obsolescence provision of Euro 771,000 (Euro 1,289,502 at December 31, 2011), relating to yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 3,659,526, representing clothing and garments in production not completed at period-end;
- finished goods, amounting to Euro 31,170,502, net of the relative obsolescence provision of Euro 3,325,808 (Euro 3,925,678 at December 31, 2011), including garments produced and complementary products distributed.

The increase in inventories compared to the consolidated financial statements as of December 31, 2011, is mainly due to the growth in turnover.

The obsolescence provisions, recorded as a direct reduction of inventories for a total amount of Euro 4,096,808, is calculated to represent the 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 December 30, 2012	As of December 31, 2011	Changes
Trade receivables	47,324,886	38,655,284	8,669,602
Receivables from controlled entities	—	21,423	(21,423)
Receivables from controlling entities	1,761,271	—	1,761,271
Tax receivables	1,267,638	3,047,210	(1,779,572)
Deferred tax assets	2,578,078	2,970,547	(392,469)
Other receivables	2,814,313	1,197,132	1,617,181
Total receivables	**55,746,186**	**45,891,596**	**9,854,590**

Trade receivables, amounting to Euro 47,324,886, refer to receivables for the sale of products produced and distributed by the LF Group. The change compared to previous year is mainly attributable to the increased turnover.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 1,645,228, against the risk of potential losses. The movements of the provision in the year are as follows:

As of December 31, 2011	Utilizations	Provisions	Release	Changes consolidation scope	As of December 30, 2012
2,050,000	(448,293)	593,521	—	(550,000)	1,645,228

No receivables are due from controlled entities as of December 31, 2012. As of December 31, 2011, the receivables due from controlled entities included trade receivables due from Liviana Conti S.r.l. and Luciano Padovan S.r.l. for Euro 14,344 and Euro 21,422 respectively, settled during the year. Additionally, account included receivables from the subsidiary Luciano Padovan S.r.l. related to loans issued for a total amount of Euro 3,750,002 (three loans granted to the subsidiary on April 30, 2010, June 30, 2010 and March 23, 2011, respectively, which are all interest-free loans with full repayment on the maturity date, after 5 years from granting). These receivable was fully written down as of December 31, 2011 and were eliminated subsequently to the sale of the investment in Luciano Padovan S.r.l. during 2012 (for further details please see Note 21—Impairment of investments).

Tax receivables mainly include VAT receivables of the Parent Company, amounting to Euro 933,782 (as of December 31, 2011 VAT receivables referred to the Parent Company for Euro 2,487,616 and to Liviana Conti Euro 475,610) and IRES reimbursement receivable of the Parent Company pursuant to Legislative Decree 201/2011, for Euro 242,177, recorded under extraordinary income. The residual amount of Euro 91,679 (Euro 83,984 as of December 31, 2011) mainly refers to other tax receivables related to reimbursements requested.

Deferred tax assets refer to temporary tax differences, deductible in future years, mainly related to obsolescence provision, non-deductible portion of doubtful debt provision and other non-deductible provisions for risks and charges. Please refer to Note 23 for a breakdown of the item and for changes occurred in the period.

Other receivables principally refer to deposits for Euro 698,803 (Euro 660,684 as of December 31, 2011), down-payments of Euro 123,000 and receivables from suppliers, advances and credit notes to be received for Euro 1,399,129 (Euro 408,104 as of December 31, 2011).

The account also includes employee receivables for Euro 425,241, related to the suspension of tax and contribution payments for companies located in the territories hit by the earthquake in May 2012. The amount, relating to the Parent Company for Euro 410,968 and to the subsidiary Tessitura Sidoti for Euro 14,273, has been paid within the terms of law by December 20, 2012.

Breakdown of receivables by geography area

The geographic breakdown of trade receivables is as follows:

	As of December 30, 2012	As of December 31, 2011
Percentage	%	%
Italy	80%	82%
EU	17%	15%
Non EU	3%	3%
Total	100%	100%

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

Maturity of receivables

The maturity of receivables as of December 30, 2012 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
Trade receivables	47,324,886	47,324,886	—	—
Receivables from controlling entities	1,761,271	1,761,271	—	—
Tax receivables	1,267,638	1,267,638	—	—
Deferred tax assets	2,578,078	2,543,188	34,890	—
Other receivables	2,814,313	2,115,510	698,803	—
Total receivables	**55,746,186**	**55,012,493**	**733,693**	**—**

Note 10—Cash and cash equivalents

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

In Euro	As of December 30, 2012	As of December 31, 2011	Changes
Bank and postal accounts	9,270,973	10,123,488	(852,515)
Cheques	8,784	2,286,841	(2,278,057)
Cash on hand	196,284	75,225	121,059
Total cash and cash equivalents	**9,476,041**	**12,485,554**	**(3,009,513)**

For a better understanding of the changes in cash and cash equivalents, please refer to the consolidated cash flow statement presented at the beginning of the present document.

Note 11—Accrued income and prepaid expenses

Accrued income and prepaid expenses as of December 30, 2012, amounting to Euro 712,418, include accrued income related to services for Euro 10,570 (as of December 31, 2011 accrued income refers to services for Euro 4,613 and insurance reimbursement for Euro 48,902) and the following prepaid expenses:

In Euro	As of December 30, 2012	As of December 31, 2011	Changes
Service contract with holding companies	291,781	—	291,781
Trade fairs	66,126	124,472	(58,346)
Hire	44,700	—	44,700
Rental	151,184	4,254	146,930
Audit	37,086	—	37,086
Services	72,103	134,175	(62,072)
Motor expenses	—	1,946	(1,946)
Consultants	21,883	—	21,883
Sureties	4,315	9,960	(5,645)
Insurance	7,055	864	6,191
Subscriptions	—	310	(310)
Other	5,615	14,669	(9,054)
Total prepaid expenses	**701,848**	**290,650**	**411,198**

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

Note 12—Shareholders' equity

The following table provides details of the movements in shareholders' equity:

In Euro	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Amnesty reserve	Other	Consolidation reserve	Retained earnings	Profit/loss for the period/ year	Total
As of December 31, 2011	368,868	9,907,783	880,000	73,774	17,682,979	736,335	1	8,051	23,394	9,703,355	39,384,540
Allocation of previous year profit					9,452,018		(1)		251,338	(9,703,355)	—
Profit for the period										21,384,529	21,384,529
Other								(8,051)	8,051		—
As of December 30, 2012	368,868	9,907,783	880,000	73,774	27,134,997	736,335	—	—	282,783	21,384,529	60,769,069
Total Group Shareholders' equity											60,769,069
—Capital and reserves attributable to non-controlling interests											8,452
—Profit for the period attributable to non-controlling interests											11,383
Total equity attributable to non-controlling interests											19,835
Total Shareholders' equity											60,788,904

Share capital, amounting to Euro 368,868, is fully held, subscribed and paid-in by Fuori dal Sacco 2 S.r.l.

Equity attributable to non-controlling interests amounts to Euro 19,835.

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

The reconciliation between profit/(loss) and equity as for separate financial statements of the Parent Company and profit/(loss) and equity as for Consolidated Financial Statements is reported in the following table.

In Euro	Profit/(loss) for the period from January 1 to December 30, 2012	Equity as of December 30, 2012
Financial statements of Light Force S.r.l.	**21,533,795**	**60,635,552**
—*Elimination of the carrying value in subsidiaries:*		
Difference between carrying value and net equity of Tessitura Sidoti S.r.l.	92,029	158,322
—*Elimination of intercompany profit in stock:*		
Profit in stock related to Tessitura Sidoti S.r.l.	10,422	(24,805)
—*Disposal of investment in Liviana Conti:*		
Effect of disposal of investment in Liviana Conti on the Consolidated Financial Statements	(251,717)	
Profit/(loss) and equity attributable to the Group	**21,384,529**	**60,769,069**
Profit/(loss) and equity attributable to non-controlling interests	**11,383**	**19,835**
Consolidated profit/(loss) and equity	**21,395,912**	**60,788,904**

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 a specific business

The Parent Company does not have equity allocated to a specific business.

Note 13—Provisions for risks and charges

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

In Euro	As of December 31, 2011	Utilization	Provision	Release/ Reclassification	Change consolidation scope	As of December 30, 2012
Provision for pensions and similar obligations	1,510,626	(132,582)	398,753	—	(203,808)	1,572,989
Other provision for risks and charges	1,481,000	(288,021)	—	(65,979)	(275,000)	852,000
Provision for returns	—	—	690,927	—	—	690,927
Provision for assets under rental	22,728	—	6,440	—	—	29,168
Total provisions for risks and charges	**3,014,354**	**(420,603)**	**1,096,120**	**(65,979)**	**(478,808)**	**3,145,084**

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.

The utilization of the year concern sums paid for the termination of agency contracts.

Other provision for risks and charges relates to potential disputes with third parties, amounting to Euro 852,000. The utilization of the year mainly refer to settlements of agency contracts, while release relates to excessive estimated indemnities as of December 31, 2011, reversed within other income and internally generated assets during 2012.

Provision for returns is accrued on the basis of the estimated and expected returns relating to sales made during 2012. This provision was recorded under extraordinary expenses for the portion relating to previous years, amounting to Euro 577,927.

Provision for assets under rental refers to restoration costs for assets leased by Tessitura Sidoti S.r.l., based on the business unit rental contract subscribed with Oldtex S.r.l., as previously described.

Note 14—Provision for employee severance indemnities

The provision reflects the liability due to employees as of December 30, 2012, less advances paid and transfers made to INPS Treasury Fund and Open Funds.

The changes between December 31, 2011 and December 30, 2012 are shown in the table below:

In Euro	As of December 31, 2011	Other increases	Provisions	Decreases	Payments	Change in consol. scope	As of December 30, 2012
Severance indemnity liability	689,407	68,155	576,832	(548,030)	(42,663)	(361,403)	382,298
Advances	(136,971)	(1,793)	—	—	4,345	—	(134,419)
Payments to supplementary funds	35,917	919	—	—	—	—	36,836
Total provision for employee severance indemnities	**588,353**	**67,281**	**576,832**	**(548,030)**	**(38,318)**	**(361,403)**	**284,715**

The column "other increases" refers to the acquisition of the personnel of the business unit represented by the outlets of Serravalle (AL), Valmontone (RM) and Franciacorta (BS).

The provisions are summarized as follows:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011
INPS Treasury Fund	462,042	290,969
Other supplementary funds	101,377	90,378
Company fund	13,413	106,794
Total	576,832	488,141

Note 15—Payables

The changes in payables are shown in the following table:

In Euro	As of December 30, 2012	As of December 31, 2011	Changes
Bank loans	13,922,956	16,770,845	(2,847,889)
Client advances	—	158,216	(158,216)
Trade payables	39,164,214	34,785,325	4,378,889
Payables due to controlled entities	—	3,707,628	(3,707,628)
Tax payables	3,790,823	3,260,749	530,074
Social security payables	603,636	572,264	31,372
Other payables	3,249,384	5,909,105	(2,659,721)
Total payables	**60,731,013**	**65,164,132**	**(4,433,119)**

Bank loans include bank overdrafts for Euro 7,085,604 and loans (all unsecured) for Euro 6,837,352.

The following table reports the breakdown of bank loans as of December 30, 2012 compared to December 31, 2011:

In Euro	As of December 31, 2011	Changes in the period: Repayments	Drawdown	Change consolidation scope	As of December 30, 2012	Earthquake moratorium	Maturity: within one year	beyond one year	within 5 years	over 5 years
CARISBO	906,021	(47,480)	—	—	858,541	95,557	247,021	611,520	858,541	—
CARIGE	542,082	(35,760)	—	—	506,322	78,284	185,412	320,910	506,322	—
BANCA MODENESE	89,793	(89,793)	—	—	—	—	—	—	—	—
BPER	149,093	(92,566)	—	—	56,527	56,527	56,527	—	56,527	—
BPER—SACE	1,949,279	(135,439)	—	—	1,813,840	273,759	685,857	1,127,983	1,813,840	—
BPER	1,428,302	(144,410)	—	—	1,283,892	145,775	292,926	990,966	1,283,892	—
BNL	932,813	(124,376)	—	—	808,437	95,557	248,750	559,687	808,437	—
CENTROBANCA	1,050,000	(300,000)	—	—	750,000	300,000	600,000	150,000	750,000	—
BPCI	856,490	(96,697)	—	—	759,793	97,752	196,600	563,193	759,793	—
BCC ROMAGNA EST	310,905	—	—	(310,905)	—	—	—	—	—	—
BPER	216,588	—	—	(216,588)	—	—	—	—	—	—
Total bank loans	8,431,366	(1,066,521)	—	(527,493)	6,837,352	1,143,211	2,513,093	4,324,259	6,837,352	—

As illustrated in the column "earthquake moratorium" the original repayment plans were amended following the delay granted to companies located in the territories hit by earthquake in May 2012. This delay involve repayments for Euro 1,143,211, corresponding to one half-year repayments.

The change in consolidation scope refers to the disposal of Liviana Conti S.r.l., as previously described.

Trade payables, amounting to Euro 39,164,214, mainly refer principally to supply of goods and services and to agents commissions. The increase compared to December 31, 2011 of Euro 4,378,889 is principally attributable to the increased business activities.

Payables due to controlled entities, amount to zero as of December 30, 2012. The account as of December 31, 2011, amounting to Euro 3,707,628, was related to Luciano Padovan S.r.l. for commercial relationship with Light Force (Euro 3,408,446) and for the national fiscal consolidation contract (Euro 299,182).

Tax payables, amounting to Euro 3,790,823 (Euro 3,260,749 as of December 31, 2011), are exposed net of advances paid and withholding taxes receivables. This account is composed by withholding taxes on employees and professionals for Euro 500,746 (Euro 513,822 as of December 31, 2011, of which Euro 55,189 attributable to Liviana Conti); IRES and IRAP payables for Euro 2,739,093 (Euro 2,220,490 as of December 31, 2011, of which Euro 398,450 attributable to Liviana Conti) and Euro 511,007 (Euro 424,188 a of December 31, 2011, of which Euro 56,995 attributable to Liviana Conti) respectively; the payable for the judicial settlement made by Light Force in 2010 for Euro 31,558 (Euro 94,214 as of December 31, 2011); VAT payables of the subsidiary Tessitura Sidoti for Euro 5,238 (Euro 4,693 as of December 31, 2011) and other tax payables for Euro 3,181 (Euro 3,342 as of December 31, 2011).

Social security payables, amounting to Euro 603,636 (Euro 572,264 at December 31, 2011), mainly refer to INPS payables for Euro 483,616 (Euro 490,141 as of December 31, 2011, of which Euro 73,473 attributable to Liviana Conti); ENASARCO for Euro 97,776 (59,858 as of December 31, 2011); INAIL for Euro 15,720 (Euro 13,553 as of December 31, 2011) and other social security institutions for Euro 6,524 (Euro 8,712 as of December 31, 2011).

Other payables, amounting to Euro 3,249,384 (Euro 5,909,105 as of December 31, 2011), include payables to employees for salary, vacation yet not taken, additional salary (called 13th and 14th months salary) and the related social contributions for Euro 1,479,519 (Euro 1,501,654 as of December 31, 2011, of which Euro 183,891 attributable to Liviana Conti), payables to directors for Euro 12,721 (Euro 275,865 as of December 31, 2011, of which Euro 150,000 attributable to Liviana Conti), payables for a business unit purchase for Euro 230,000 (Euro 2,300,000 as of December 31, 2011) and other payables for Euro 1,527,144 (Euro 1,831,586 as of December 31, 2011), including payables to customers not offsettable with trade receivables amounting to Euro 1,411,648 (Euro 1,722,549 as of December 31, 2011).

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
Bank loans	13,922,956	9,598,698	4,324,258	—
Trade payables	39,164,214	39,164,214	—	—
Tax payables	3,790,823	3,790,823	—	—
Social security payables	603,636	603,636	—	—
Other payables	3,249,384	3,249,384	—	—
Total payables	**60,731,013**	**56,406,755**	**4,324,258**	**—**

Breakdown of payables by geographic area

The geographic breakdown of trade payables is as follows:

Percentage	As of December 30, 2012 %	As of December 31, 2011 %
Italy	77%	76%
EU	6%	2%
Non EU	17%	22%
Total	**100%**	**100%**

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

Financial instruments

The Companies of the LF Group did not issue financial instruments.

Project finance loans

The Companies of the LF Group did not issue loans to a specific business.

Note 16—Accrued expenses and deferred income

This account amounts to Euro 265,611 as of December 30, 2012 (Euro 122,604 as of December 31, 2011) and include deferred income related to rents for Euro 3,470 (Euro 3,388 as of December 31, 2011) and the following accrued expenses:

In Euro	As of December 30, 2012	As of December 31, 2011	Changes
Interest—Capex Line	92,674	—	92,674
Interest—Revolving Line	88,967	—	88,967
Interest—Loan Line	29,148	24,409	4,739
Property charges and expenses	35,399	27,199	8,200
Insurance	—	50,314	(50,314)
Confindustria	—	8,871	(8,871)
Rental fees and expenses	—	7,370	(7,370)
Other	15,953	1,053	14,900
Total accrued expenses	**262,141**	**119,216**	**142,925**

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

Note 17—Memorandum accounts

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 2,236,600 (Euro 9,475,097 as of December 31, 2011).

Memorandum accounts also include commitments related to the business unit rental contract signed by the subsidiary Tessitura Sidoti S.r.l., as further described in Note 2—consolidation area paragraph, corresponding to the price established for the exercise of the purchase option on business rented net of the net equity subject to the rental contract.

In relation to the commitments related to USD forward purchase contracts in place as of December 30, 2012 amounting to Euro 13,124,318 (Euro 6,540,084 as of December 31, 2011), please refer to the following table:

Bank	Amount (USD)	Operation date	Maturity date	Spot rate	Premium	Rate contracted	Ctr Euro	Fair value
Carige	3,000,000	03.10.2012	31.10.2013	1.2902	0.0052	1.2954	2,325,221	(49,563)
Carige	3,000,000	02.10.2012	29.11.2013	1.2890	0.0056	1.2946	2,327,386	(51,728)
Carige	3,000,000	02.10.2012	29.11.2013	1.2900	0.0054	1.2954	2,325,581	(49,923)
BNL	2,000,000	04.10.2012	15.10.2013	1.2947	0.0045	1.2992	1,544,759	(27,654)
BNL	3,000,000	08.10.2012	31.12.2013	1.2967	0.0054	1.3021	2,313,565	(37,907)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	(4,049)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	(4,049)
BNL	1,000,000	17.10.2012	13.12.2013	1.3113	0.0042	1.3155	762,602	(4,049)
Total	17,000,000						13,124,318	(228,922)

During April, 2013 the Company settled in advance the USD forward purchase contract in place with BNL with original maturity on October 15, 2013, realizing a gain of Euro 16,832.

Note 18—Revenues and income

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Revenue	144,501,118	117,754,878	26,746,240
Other income and internally generated assets	1,104,397	1,609,007	(504,610)
Change in work in progress, semifinished and finished product inventories	5,593,319	15,734,558	(10,141,239)
Total revenue and income	**151,198,834**	**135,098,443**	**16,100,391**

Revenue refers to sales occurred during the year through the various channels—Wholesale (Euro 119,222 thousand), Retail (Euro 22,471 thousand) and Shop Online (Euro 2,675 thousand), in addition to other revenue for Euro 133 thousand.

Revenue refers to the Parent Company for Euro 143,529,654 and to the subsidiary Tessitura Sidoti for Euro 971,464.

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

As of December 30, 2012 the LF Group operated in the retail channel through 28 stores (18 directly-operated stores—DOS and 10 outlets located in Italy). 7 DOS and 4 outlets were opened in Italy during 2012, while 1 italian DOS has been closed during the same period.

Breakdown of revenue by geographic area

Percentage	Period from January 1 to December 30, 2012 %	Year ended December 31, 2011 %
Italy	70.2%	69.4%
EU	20.6%	22.1%
Non EU	9.2%	8.5%
Total	**100%**	**100%**

Other income and internally generated assets are composed of:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Rental income	155,241	34,489	120,752
Reimbursements	115,873	191,372	(75,499)
Royalties	—	300,000	(300,000)
Ordinary gains	9,248	100	9,148
Prior year income	264,288	—	264,288
Other revenue	363,770	1,083,046	(719,276)
Internally generated assets	195,977	—	195,977
Total other income and internally generated assets	**1,104,397**	**1,609,007**	**(504,610)**

Rental income refers to the recharge of a portion of rental costs to third parties, including Liviana Conti S.r.l. for Euro 116,241.

Royalties recorded in the 2011 consolidated financial statements refer to sales previously marketed by third parties that, starting from the second part of 2011, are directly managed by the Parent Company.

Other revenue includes sales to Liviana Conti, almost exclusively related to raw materials, for Euro 192,241.

About internally generated assets, entirely related to the Parent Company, please refer to Note 5.

Note 19—Operating costs

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Purchase of raw materials, goods and changes in inventory	53,460,004	53,160,726	299,278
Cost of services	44,211,264	42,873,795	1,337,469
Rent	5,001,159	3,791,578	1,209,581
Personnel costs	10,945,157	9,448,051	1,497,106
Depreciation and Amortization	2,969,473	2,370,823	598,650
Write-downs of trade receivables	593,521	1,314,569	(721,048)
Provisions	6,440	1,197,764	(1,191,324)
Other operating costs	752,150	494,593	257,557
Total operating costs	**117,939,168**	**114,651,900**	**3,287,269**

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	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Raw materials, supplementary materials, consumables and goods	54,595,895	54,827,891	(231,996)
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,135,891)	(1,667,165)	531,274
Total purchase of raw materials, goods and changes in inventory	**53,460,004**	**53,160,726**	**299,278**

The breakdown and changes in cost of services in the year were as follows:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
External works	13,495,679	15,596,856	(2,101,177)
Agent commissions	9,645,375	8,703,116	942,259
Marketing and advertising	7,367,911	7,113,831	254,080
Logistics and transport	6,877,855	5,353,783	1,524,072
Other service costs	3,413,081	3,008,442	404,639
Administrative	2,113,515	1,877,522	235,993
Insurance	835,046	744,566	90,480
Travelling expenses	462,802	475,679	(12,877)
Total cost of services	**44,211,264**	**42,873,795**	**1,337,469**

The increase in agent commissions and in logistics and transport costs compared to 2011 is mainly due to the increased business activities. External works reduced due to lower dry cleaning, textile treatment, ironing, washing etc., mainly due to the disposal of Liviana Conti S.r.l. during 2012, as previously described.

The breakdown and changes in rent costs are as follows:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Rent expenses for shop, outlet and showrooms	4,063,284	2,876,784	1,186,500
Rent expenses for headquarters	772,722	761,717	11,005
Other rent expenses	165,153	153,077	12,076
Total rent	**5,001,159**	**3,791,578**	**1,209,581**

The significant increase in rent expenses for shop, outlet and showrooms is due to the new openings of boutiques, corners and outlets occurred during 2012.

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

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Wages and salaries	7,979,935	7,083,509	896,426
Social security contribution	2,394,509	1,876,401	518,108
Employee severance indemnities	570,713	488,141	82,572
Total personnel costs	**10,945,157**	**9,448,051**	**1,497,106**

The increase in personnel costs is due to the increased Parent Company's employees number, hired to strengthen the Retail channel sales force. As of December 30, 2012, the LF Group employed 313 employees (headcount). The following table shows the related breakdown by category:

Number of employees	As of December 30, 2012
Executives	2
Managers	7
Clerical/Administration staff	113
Workers	48
Retail staff	143
Total employees number	**313**

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

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Depreciation	1,198,393	1,085,249	113,144
Amortization	1,771,080	1,285,574	485,506
Total depreciation and amortization	**2,969,473**	**2,370,823**	**598,650**

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, increased by Euro 257,557 compared to 2011, mainly include gifts for Euro 167,021 (Euro 82,530 in 2011), stationery for Euro 106,309 (Euro 148,821 in 2011), other taxes for Euro 86,687 (Euro 73,060 in 2011), losses on receivables for Euro 22,138 (Euro 12,739 in 2011) and ordinary losses for Euro 5,643 (Euro 100 in 2011). This account also includes other prior year expenses for Euro 123,812.

Note 20—Financial income and expenses

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Other financial income	378,335	261,400	116,935
Interest and other financial expenses	(685,444)	(422,172)	(263,272)
Foreign exchange gains/(losses)	(19,572)	7,221	(26,793)
Total financial income and expenses	**(326,681)**	**(153,551)**	**(173,130)**

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

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

	Period from January 1 to December 30, 2012			Year ended December 31, 2011		
In Euro	Total	Short-term	Medium/Long term	Total	Short-term	Medium/Long term
Bank interest						
Interest on loans	*102,389*	—	*102,389*	*216,900*	—	*216,900*
Interest on overdrafts and short-term loans	*124,151*	*124,151*	—	*157,799*	*157,799*	—
Bank charges	*457,940*	*457,940*	—	*14,943*	*14,943*	—
Interest on tax payables	921	921	—	29,404	29,404	—
Other interest expenses	43	43	—	3,126	3,126	—
Total interest and other financial expenses	**685,444**	**583,055**	**102,389**	**422,172**	**205,272**	**216,900**

Bank charges mainly include commissions on the unused Revolving Line and Capex Line for total Euro 432,087.

Exchange gains and losses for the year are composed of:

	Period from January 1 to December 30, 2012			Year ended December 31, 2011		
In Euro	Total	Gains	Losses	Total	Gains	Losses
Realised exchange gains/(losses)	174,404	611,753	(437,349)	136,457	416,124	(279,667)
Unrealised exchange gains/(losses)	(193,976)	52,226	(246,202)	(129,236)	5,275	(134,511)
Total exchange gains and losses	**(19,572)**	**663,979**	**(683,551)**	**7,221**	**421,399**	**(414,178)**

Exchange gains and losses occurred in the period refer to US Dollar forward purchase contracts closed, which generated exchange gains and losses of Euro 267,108 and Euro 64,508 respectively.

Note 21—Impairment of investments

No impairment of investments have been recorded in the consolidated income statement for the period from January 1 to December 30, 2012.

The amount of Euro 3,750,002 recorded in the 2011 consolidated financial statements refers to the total write-down of financial receivables due to Light Force by Luciano Padovan S.r.l. as of December 31, 2011.

The consolidated financial statements as of December 31, 2011 included within financial assets held for sale the investment in the company Luciano Padovan S.r.l., amounting to 90% of the share capital. That investment (corresponding to an original cost of Euro 2 million) was registered with a value equal to zero since it was fully written down as of December 31, 2010.

The Luciano Padovan Shareholders' Meeting of April 27, 2012 approved the reduction of the share capital and the simultaneous share capital increase pursuant to Article 2482-*ter* of the Civil Code, and following the non-exercise of the pre-emptive right by the minority shareholder (Silhouette S.r.l.) Light Force became the sole Shareholder. Within this operation Light Force waivered the repayment of the three loans previously described under "Receivables due from controlled entities", recorded as of December 31, 2011 for a total amount of Euro 3,750,002, already fully written down at the same date, in order to cover the losses and to subscribe the capital increase and relative share premium of the subsidiary.

On July 19, 2012, Light Force sold the 100% share capital of Luciano Padovan S.r.l. to the former minority shareholder of Light Force, Light My Fire S.r.l. generating a loss on disposals of Euro 2,200,818

Note 22—Extraordinary income and expenses

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Extraordinary income	2,342,088	196,632	2,145,456
Extraordinary expenses	(3,583,072)	(151,162)	(3,431,910)
Total extraordinary income and expenses	**(1,240,984)**	**45,470**	**(1,286,454)**

For a breakdown of extraordinary income please refer to the following table:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Gains on disposals	2,099,670	—	2,099,670
Other extraordinary income	242,418	196,632	45,786
Total extraordinary income	**2,342,088**	**196,632**	**2,145,456**

Gains on disposals refer to the disposal of the total investment of the company Liviana Conti S.r.l.

Other extraordinary income include for Euro 242,177 the IRES reimbursement pursuant to Legislative Decree 201/2011 concerning the years 2007/2011 and 2012 of the incorporated Light Force. The residual amount of Euro 241 refers to extraordinary prior years income.

For a breakdown of extraordinary expenses please refer to the following table:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Losses on disposals	(2,200,818)	—	(2,200,818)
Prior years taxes	(219)	(722)	503
Other extraordinary expenses	(1,382,035)	(150,440)	(1,231,595)
Total extraordinary expenses	**(3,583,072)**	**(151,162)**	**(3,431,910)**

Losses on disposals refer to the disposal of the 90% shareholding investment in the company Luciano Padovan S.r.l.

Other extraordinary expenses include costs incurred following the earthquake in May 2012 for Euro 470,029, goods theft for Euro 304,196, cash theft within the stores for Euro 27,084, provision for returns on previous seasons sales for Euro 577,927 and other prior year extraordinary expenses for Euro 2,799.

Note 23—Income tax, deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

In Euro	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Current taxes	(10,636,973)	(7,969,362)	(2,667,611)
Deferred taxes	(12,533)	2,589	(15,122)
Prepaid taxes	353,417	1,085,119	(731,702)
Total income tax	**(10,296,089)**	**(6,881,654)**	**(3,414,435)**

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

Description of temporary differences	As of December 31, 2011			Decreases 2012			Increases 2012			Change consol scope			As of December 30, 2012		
In Euro	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax
Amortization of intangible assets	131,690	31.4	41,352	—	31.4	—	—	31.4	—	—	31.4	—	131,690	31.4	41,352
Exchange losses	155,806	27.5	42,847	(127,908)	27.5	(35,175)	246,202	27.5	67,706	—	27.5	—	274,100	27.5	75,378
Doubtful debt provision	2,058,865	27.5	566,188	(277,682)	27.5	(76,363)	359,729	27.5	98,925	(529,473)	27.5	(145,605)	1,611,439	27.5	443,146
Obsolescence provision	5,364,518	31.4	1,684,459	—	31.4	—	464,261	31.4	145,778	(1,731,971)	31.4	(543,839)	4,096,808	31.4	1,286,398
Agents indemnities	819,758	27.5	242,077	(132,582)	27.5	(41,631)	398,512	27.5	109,591	(54,470)	27.5	(14,979)	1,031,218	27.5	294,851
Association fees not paid	8,923	27.5	2,595	(8,923)	27.5	(2,595)	102	31.4	32	—	27.5	—	102	31.4	32
Provision for risks	1,206,000	27.5	331,649	(354,000)	27.5	(97,350)	690,927	27.5	190,005	—	27.5	—	1,542,927	27.5	424,305
Directors fees not paid	150,000	27.5	41,250	—	27.5	—	—	27.5	—	(150,000)	27.5	(41,250)	—	27.5	—
Amortisation of trademarks	255	31.4	80	—	31.4	—	—	31.4	—	(255)	31.4	(80)	—	31.4	—
Deferred tax asset on consolidation adjustments	57,480	31.4	18,049	(57,480)	31.4	(18,049)	40,177	31.4	12,616	—	31.4	—	40,177	31.4	12,616
Total deferred tax assets	9,953,295		2,970,547	(958,575)		(271,163)	2,199,910		624,653	(2,466,169)		(745,753)	8,728,461		2,578,078

Deferred tax liability

Description of temporary differences	As of December 31, 2011			Decreases 2012			Increases 2012			Change consol scope			As of December 30, 2012		
In Euro	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax	Assessable	%	Tax
Exchange gains not realised	26,365	27.5	7,250	—	27.5	—	52,226	27.5	14,362	—	27.5	—	78,591	27.5	21,613
Gains deferred	6,650	27.5	1,829	(6,650)	27.5	(1,829)	—	27.5	—	—	27.5	—	—	27.5	—
Consolidation adjustments	7,567	31.4	2,376	—	31.4	—	—	31.4	—	(7,567)	31.4	(2,376)	—	31.4	—
Total deferred tax liabilities	40,582		11,455	(6,650)		(1,829)	52,226		14,362	(7,567)		(2,376)	78,591		21,613

Note 24—Other information to be provided in the explanatory notes

Changes in exchange rates after the year-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	Period from January 1 to December 30, 2012	Year ended December 31, 2011	Changes
Board of Directors	784,337	712,290	72,047
Board of Statutory Auditors	66,830	38,817	28,013
Independent Auditors	99,066	109,767	(10,701)
Total remuneration	**950,233**	**860,874**	**89,359**

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 MO.DA Gioielli S.r.l., a company owned and managed by Shareholders and Directors of Light Force S.r.l.

MO.DA Gioielli S.r.l. also holds the companies Liviana Conti S.r.l. and K8 S.r.l., operating in the women's clothing and accessory sector and marketed under the brands "Liviana Conti" and "Erika Cavallini—Semi-Couture", respectively. Each of these companies undertook commercial transactions with the LF 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, whose financial effects were already described in detail in Note 17.

TWIN-SET

SIMONA BARBIERI

LIGHT FORCE S.p.A.

Consolidated Financial Statements
as of and for the year ended
December 31, 2011

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2011 PREPARED FOR THE SOLE PURPOSE OF INCLUSION IN THE OFFERING MEMORANDUM

To the Board of Directors of
TWIN SET—SIMONA BARBIERI S.r.l.

1. We have audited the consolidated financial statements of Light Force S.p.A. (the "Company") and subsidiaries (the "Light Force Group") as of December 31, 2011 (the "Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared solely for inclusion in the offering memorandum prepared in connection with the issuance of senior secured notes of Twin Set—Simona Barbieri S.r.l, that on December 30, 2012 merged by incorporation the Company, to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-US persons outside the United States in offshore transactions in reliance on Regulation S. The Directors of Twin Set—Simona Barbieri S.r.l, are responsible for the preparation of these Consolidated Financial Statements in accordance with the accounting principles issued by OIC (Organismo Italiano di Contabilità), the Italian Accounting Body ("Italian GAAP"). Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on June 14, 2011.

3. In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Light Force Group as of December 31, 2011, and of the results of its operations for the year then ended in accordance with the Italian GAAP.

4. The Company has prepared for statutory purposes a separate set of consolidated financial statements for the year ended December 31, 2011 in accordance with the Italian law governing financial statements on which we issued a separate auditor's report to the shareholders of the Company dated June 15, 2012.

DELOITTE & TOUCHE S.p.A.

Giacomo Bellia
Partner

Milan, Italy
June 24, 2014

CONSOLIDATED BALANCE SHEET

As of December 31, 2011

In Euro	Notes	As of December 31, 2011	As of December 31, 2010
ASSETS			
Intangible assets	5	10,266,063	4,318,904
of which goodwill	5	3,578,215	589,653
Property, plant and equipment	6	3,274,287	3,325,905
Other financial assets	7	6,859	51,859
Total intangible assets, PP&E and other financial assets		**13,547,209**	**7,696,668**
Inventories	8	36,025,368	18,623,645
Trade receivables	9	38,655,284	27,214,293
Receivables due from controlled entities	9	21,423	2,834,210
Tax receivables	9	3,047,210	1,104,495
Deferred tax assets	9	2,970,547	1,885,428
Other receivables	9	1,197,132	621,224
Cash and cash equivalents	10	12,485,554	14,690,750
Total current assets		**94,402,517**	**66,974,045**
Accrued income and prepaid expenses	11	344,165	160,734
Total Assets		**108,293,891**	**74,831,446**

In Euro	Notes	As of December 31, 2011	As of December 31, 2010
Liabilities and Shareholders' equity			
Shareholders' equity			
Share capital	12	368,868	368,868
Reserves	12	29,288,923	22,443,492
Retained earnings	12	23,394	49,658
Profit/(loss) for the year	12	9,703,355	7,188,031
Total Group Shareholders' equity		**39,384,540**	**30,050,050**
Equity attributable to non-controlling interests	12	8,452	—
Total Shareholders' equity		**39,392,992**	**30,050,050**
Liabilities			
Provisions for risks and charges	13	3,014,354	1,427,351
Deferred tax liabilities	23	11,455	14,045
Provisions for employee severance indemnities	14	588,353	568,400
Bank loans	15	16,770,845	12,179,527
Client advances	15	158,216	123,044
Trade payables	15	34,785,325	23,874,711
Payables due to controlled entities	15	3,707,628	880,927
Tax payables	15	3,260,749	2,993,657
Social security payables	15	572,264	440,597
Other payables	15	5,909,105	2,193,781
Accrued expenses and deferred income	16	122,604	85,357
Total Liabilities		**68,900,898**	**44,781,397**
Total Liabilities and Shareholders' Equity		**108,293,891**	**74,831,446**
Memorandum accounts			
Guarantees	17	9,475,097	8,651,925
Other memorandum accounts	17	6,540,084	—
Commitments related to the business rented by Tessitura Sidoti S.r.l.	17	(62,573)	—
Total memorandum accounts		**15,952,608**	**8,651,925**

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2011

In Euro	Notes	Year ended December 31, 2011	Year ended December 31, 2010
Income Statement			
Revenue	18	117,754,878	86,491,099
Other income and internally generated assets	18	1,609,007	587,993
Change in work in progress, semifinished and finished product inventories	18	15,734,558	4,677,920
Total revenue and income		**135,098,443**	**91,757,012**
Purchase of raw materials, goods and changes in inventory	19	53,160,726	32,559,385
Cost of services	19	42,873,795	31,584,322
Rent	19	3,791,578	2,977,391
Personnel costs	19	9,448,051	7,181,349
Depreciation and Amortization	19	2,370,823	1,769,392
Write-downs of trade receivables	19	1,314,569	611,725
Provisions	19	1,197,764	201,463
Other operating costs	19	494,593	494,308
Total operating costs		**114,651,900**	**77,379,335**
Operating profit		**20,446,544**	**14,377,678**
Financial income/(expenses)	20	(153,551)	59,251
Impairment of investments	21	(3,750,002)	(2,000,000)
Extraordinary income/(expenses)	22	45,470	(615,711)
Profit before tax		**16,588,461**	**11,821,218**
Income tax	23	(6,881,654)	(4,633,186)
Profit for the period		**9,706,807**	**7,188,031**
Attributable to non-controlling interests		*3,452*	—
Attributable to the Group		*9,703,355*	*7,188,031*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2011

In Euro	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Amnesty reserve	Other	Consolidation reserve	Retained earnings	Profit/(loss) for the year	Total
As of December 31, 2009	**368,868**	**9,907,783**	**880,000**	**58,443**	**5,819,826**	**736,335**	**(2)**	**8,051**	**8,722**	**5,073,987**	**22,862,013**
Allocation of previous year profit				15,331	5,017,724		(4)		40,936	(5,073,987)	0
Other							6				6
Profit for the year										7,188,031	7,188,031
As of December 31, 2010	**368,868**	**9,907,783**	**880,000**	**73,774**	**10,837,550**	**736,335**	**0**	**8,051**	**49,658**	**7,188,031**	**30,050,050**
Allocation of previous year profit					7,214,297		(2)		(26,264)	(7,188,031)	0
Dividends distributed by parent company					(368,868)						(368,868)
Other							3				3
Profit for year										9,703,355	9,703,355
As of December 31, 2011	**368,868**	**9,907,783**	**880,000**	**73,774**	**17,682,979**	**736,335**	**1**	**8,051**	**23,394**	**9,703,355**	**39,384,540**
Total group Shareholders' equity											**39,384,540**
Capital and reserves attributable to non-controlling interests											5,000
Profit for the period attributable to non-controlling interests											3,452
Total equity attributable to non-controlling interests											**8,452**
Total Shareholders' equity											**39,392,992**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2011

	In Euro	Year ended December 31, 2011	Year ended December 31, 2010
A	NET CASH AT THE BEGINNING OF THE YEAR*	10,865,335	6,587,482
	Net cash flow from operating activities		
	Profit/(loss) for the year	**9,706,807**	**7,188,031**
	Depreciation and Amortization	2,370,823	1,769,392
	Impairment of investments	3,750,002	2,000,000
	Doubtful debt provision	1,314,569	611,725
	Net change in obsolescence provision	2,034,576	425,590
	Employee severance provision	19,953	41,119
	Provisions for risks and charges	1,584,413	716,738
	Net Cash flow from operating activities before changes in net working capital	**20,781,143**	**12,752,595**
	Inventories	(19,436,299)	(5,370,562)
	Trade and other receivables	(16,542,733)	(10,108,230)
	Receivables due from controlled entities	(937,215)	(2,834,210)
	Trade and other payables	12,799,331	9,338,967
	Payables due to controlled entities	2,826,701	880,927
	Change in net working capital	**(21,290,215)**	**(8,093,107)**
B	NET CASH FLOW FROM OPERATING ACTIVITIES	(509,072)	4,659,488
	Net cash flow from investing activities		
	Net investments in intangible assets and in property, plant and equipment	(5,921,364)	(1,683,059)
	Equity investments—current assets	—	(2,000,000)
C	NET CASH FLOW FROM INVESTING ACTIVITIES	(5,921,364)	(3,683,059)
	Net cash flow from financing activities		
	Loans received net of repayments	80,046	3,301,424
	Dividends	(368,868)	—
D	NET CASH FLOW FROM FINANCING ACTIVITIES	(288,822)	3,301,424
E	NET CASH FLOW FOR THE YEAR (B+C+D+E)	(6,719,258)	4,277,853
F	NET CASH AT THE END OF THE YEAR*	4,146,077	10,865,335

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

TWIN-SET

SIMONA BARBIERI

LIGHT FORCE S.p.A.

Explanatory Notes
to the Consolidated Financial Statements
as of and for the year ended
December 31, 2011

Note 1—General information

Light Force (the “Parent Company”) and its subsidiaries Tessitura Sidoti and Liviana Conti (together with the Parent Company, the “LF Group”) operates in the apparel market; in particular the LF Group designs and produces clothing, accessories and women’s and girl’s knitwear, marketed under the brands “TWIN SET—Simona Barbieri” and “SCEE by TWIN SET”.

The Consolidated Financial Statements as of and for the year ended December 31, 2011 (the “Consolidated Financial Statements”) report a net profit for the period of Euro 9,706,807 after depreciation and amortization of Euro 2,370,823, write-downs of trade receivables of Euro 1,314,569, net financial expenses of Euro 153,551 and income taxes of Euro 6,881,654 for which please refer to the comments of the present document.

Note 2—Basis of presentation

These special purposes consolidated financial statements (the “Consolidated Financial Statements”) have been prepared solely for the purposes of their inclusion in the offering memorandum to be prepared in connection with the Company’s issuance of senior secured floating rate notes (i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”)) in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S (and only to investors who, if resident in a member state of the European Economic Area, are qualified investors under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”)). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market upon their issuance. In addition, application will be made to Borsa Italiana S.p.A. for listing of the notes on the ExtraMOT, Professional Segment upon their issuance.

The Consolidated Financial Statements have been prepared based on the Consolidated Financial Statements of the LF Group as of and for the year ended December 31, 2011, which were approved by the Board of Directors on May 29, 2012. In particular, the Consolidated Financial Statements have been prepared in order to reclassify the income statement and balance sheet in a manner more similar to international format. No changes have been made to the relevant figures previously reported in the income statement and balance sheet of the December 31, 2011 consolidated financial statements. The Consolidated Financial Statements were approved by the Company’s Board of Directors on June 23, 2014.

The Consolidated Financial Statements include the consolidated balance sheet, the consolidate income statement, the consolidated statement of changes in shareholders’ equity, the consolidated cash flow statement and the explanatory notes and have been prepared in accordance with Legislative Decree No. 127/1991, pursuant to the Italian legal and statutory requirements, set forth by the Italian Civil Code, governing the preparation of financial statement as interpreted and integrated 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.). Such rules are collectively referred to Italian Generally Accepted Accounting Principles (“Italian GAAP”).

The items reported in the financial statements have been stated in accordance with the general principles of prudence and accruals and with an appropriate going concern basis, which covers at least twelve months from the 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 Consolidated Financial Statements were prepared in units of Euro (the functional currency of the Parent Company and all its subsidiaries), without decimal amount

The consolidated cash flow statement has been prepared considering for 2011 the cash flows of the Parent Company and the consolidated companies: Tessitura Sidoti S.r.l. and Liviana Conti S.r.l. (for further information please see Note 3).

Comparative consolidated financial statements

The consolidated financial statements as of December 31, 2010 are presented for comparative purposes.

Note 3—Consolidation area and basis of consolidation

Consolidation area

Company	Country	Net profit/(loss)	Net Equity	Year-End	Holding	Carrying value	Consolidation method
LIGHT FORCE S.P.A.	Italy	9,452,019	39,101,759	31.12.2011			
LIVIANA CONTI S.R.L.	Italy	223,501	396,727	31.12.2011	100%	148,614	line-by-line
TESSITURA SIDOTI S.R.L.	Italy	73,658	123,659	31.12.2011	90%	45,000	line-by-line

The Consolidated Financial Statements of the LF Group include the financial statements of Light Force S.p.A., the financial statements of the 100% held subsidiary Liviana Conti S.r.l. and from the year ended December 31, 2011 the financial statements of the 90% held subsidiary Tessitura Sidoti S.r.l., incorporated on December 29, 2010.

Please note that on January 12, 2011 a business unit rental contract was signed, under which the lessor Oldtex S.r.l. (previously Tessitura Sidoti S.r.l.) granted a rental contract to the subsidiary Tessitura Sidoti S.r.l. of its technical/production business unit. The duration of this contract is 6 years from January 17, 2011.

During previous year, on April 15, 2010, the Parent Company undertook a 90% investment in the newly incorporated company Luciano Padovan S.r.l. This investment, amounting to Euro 2,000,000; has been fully written down as of December 31, 2010. This investment, as a discontinued operation, was not consolidated and included within financial assets held for sale.

The LF Group does not hold investments in associated companies; the non-current investments in other companies are accounted for the cost method.

Basis of consolidation

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

The subsidiaries are included in the 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 Consolidated Financial Statements are consolidated on a line-by-line basis, accounting for the non-controlling interest in a proper line item in the Shareholders' equity and in the consolidated income statement.

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

- ➤ The carrying amount of investments in consolidated company is 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 intangible assets and amortized over its estimated useful life;
- ➤ All payables, receivables, revenue and costs, including any unrealized profit and losses, deriving from transactions between companies included in the consolidation area are eliminated;
- ➤ Leasing contracts are recorded, as established by O.I.C. 17, according to IAS 17. The accounting standard provides for the measurement of finance leases through recognition to the Balance Sheet of the assets subject to lease, net of depreciation, in addition to the capital portion of the debt under liabilities; at the same time, in the income statement the leases paid are reversed and substituted with the accumulated depreciation of the assets and the portion of financial expenses relating to the implied component of interest on the loan concerning payments of the year.

Note 4—Accounting policies

The most significant accounting policies adopted in the preparation of the 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 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 assets 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 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	18/20 years
Goodwill	Duration of underlying rental contracts (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contracts, (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 fixed asset's useful life 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 & equipment	Rate %
Light buildings	10.0%
Plant & machinery	12.5%
Industrial & commercial equipment	25.0%
EDP	20.0%
Furniture & fittings	12.0%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516	100.0%

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 financial fixed 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 cost adopted is the purchase cost while for goods produced by LF Group companies cost adopted is the production cost. 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 criteria 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 reasons that might determine a lower realizable value. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.

Even all other receivables are 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 informations 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 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 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 LF 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 Consolidated Financial Statements.

Revenue and Costs

Revenue 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 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 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 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 (Item C.17 -bis). 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 LF 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 Consolidated Financial Statements requires management's estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the balance sheet date. The estimates and assumptions used are based on past experience and other relevant factors. However, actual results might differ from the 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 concerned 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:

Account	As of December 31, 2010			Changes in the year				As of December 31, 2011		
					Disposal					
In Euro	Historical cost	Acc. Amort	NBV	Additions	Cost	Acc. Amort.	Amortization	Historical cost	Acc. Amort	NBV
Start up and formation expenses	259,241	(124,750)	134,490	41,808	—	—	(19,943)	301,049	(144,693)	156,355
Industrial patents and intellectual property rights	499,536	(299,294)	200,242	243,520	—	—	(138,592)	743,056	(437,886)	305,170
Concessions, licenses & trademarks and similar rights	1,157,376	(324,817)	832,559	36,253	—	—	(70,299)	1,193,629	(395,116)	798,514
Goodwill	883,388	(293,734)	589,653	3,053,977	—	—	(65,415)	3,937,365	(359,149)	3,578,215
Assets in progress & advances	—	—	—	123,903	—	—	—	123,903	—	123,903
Other intangible assets	4,203,009	(1,641,049)	2,561,960	3,733,271	(413,752)	413,752	(991,326)	7,522,528	(2,218,622)	5,303,906
Total intangible assets	**7,002,551**	**(2,683,645)**	**4,318,904**	**7,232,732**	**(413,752)**	**413,752**	**(1,285,574)**	**13,821,530**	**(3,555,466)**	**10,266,063**

Start up and formation expenses, amounting to Euro 156,355 as of December 31, 2011, include the incorporation expenses and formation expenses incurred by the Parent Company and the Subsidiary Tessitura Sidoti.

Industrial patents and intellectual property rights, amounting to Euro 305,170 as of December 31, 2011, include the costs for software licenses for indefinite use, principally held by the Parent Company. The increase of the year relates the purchase of new software and new implementations of existing software.

Concessions, licenses, trademarks and similar rights, amounting to Euro 798,514 as of December 31, 2011, reflect the net book value of brands "Twin Set—Simona Barbieri" and "Scee by Twin Set", in addition to the minor brands "Paradiso Terrestre", "Zooi", "Mata Mua", "Bulldog", "Baby Twin Set" and "Girl" held by the Parent Company and "Liviana Conti", a brand of the Subsidiary.

Finally, in the financial statements as of December 31, 2005, 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	Historical cost	Revaluation L. 266/2005	Increases	Book value as of December 31, 2011
"Twin Set—Simona Barbieri" Trademark . .	8,071	1,000,000	57,455	1,065,526

Goodwill refers to the costs incurred by the Parent Company connected to Retail development.

Assets in progress and advances, amounting to Euro 3,578,215 as of December 31, 2011, include the implementation costs for the new operational management of the Parent Company, in addition to advances on leasehold improvements for stores not yet opened as of December 31, 2011.

Other intangible assets, amounting to Euro 5,303,906 as of December 31, 2011, mainly concern leasehold improvements and other long-term charges. Increases relate to long-term expenses needed to secure the rental contracts of the stores in locations considered strategic for the LF Group, while decreases relate to the closure of the sales point of Milan—Duomo.

Impairments

The above-mentioned intangible assets were amortized on a straight-line basis as illustrated above; in addition, the LF Group companies did not undertake any write-down.

Note 6—Property, plant and equipment

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

Account	As of December 31, 2010			Changes in the year				As of December 31, 2011		
					Disposals					
In Euro	Historical cost	Acc. Depre.	NBV	Additions	Cost	Acc. Depre.	Depreciation	Historical cost	Acc. Depre.	NBV
Land & buildings	5,138	(2,512)	2,626	—	—	—	(514)	5,138	(3,026)	2,112
Plant & machinery	7,726,389	(5,519,236)	2,207,152	263,422	(54,239)	3,390	(636,598)	7,935,572	(6,101,598)	1,833,974
Industrial & commercial equipment	1,565,248	(763,525)	801,723	426,161	—	—	(184,926)	1,991,409	(948,450)	1,042,960
Elimination intercompany sales	400	(400)	—	—	—	—	—	400	(400)	—
Other tangible assets	1,250,371	(935,968)	314,404	340,300	(13,226)	6,166	(263,211)	1,577,445	(1,193,011)	384,434
Construction in progress & advances	—	—	—	10,807	—	—	—	10,807	—	10,807
Total property, plant and equipment	**10,547,546**	**(7,221,641)**	**3,325,905**	**1,040,690**	**(67,465)**	**9,556**	**(1,085,249)**	**11,520,771**	**(8,246,485)**	**3,274,287**

Land and buildings refer to light constructions and, except for depreciation, didn't change compared to previous year.

Plant and machinery include specific and general plant, installed at the premises, factories and warehouses, as well as at the boutiques and outlets, of weaving and production machinery. Increases refer to the purchase of specific plants for the stores.

Industrial and commercial equipment mainly include equipment for the ironing section of the Parent Company and furniture and fittings in the various stores and laboratories of the LF Group. Increases principally refer to the purchase of furniture for the stores.

Other tangible assets mainly include EDP and transport and motor vehicles.

Finance leases

The restatement of assets held by the LF Group under leasing contracts, which are outlined below, resulted in an adjustment to the net equity for Euro −544 relating to the Parent Company and for Euro 4,545 related to the subsidiary Liviana Conti S.r.l.

Asset description	Months	Rate	Repayments	Start date	Maturity	Cost of asset	Down-payment	Instalment	Redemption
Chrysler PT Cruiser	36	35	m	09/02/2005	08/02/2008	22,400	673	673	224
Transport vehicle Ford Transit 1	48	47	m	16/02/2006	15/02/2010	20,000	458	458	200
Transport vehicle Ford Transit 2	48	47	m	16/02/2006	15/02/2010	20,000	458	458	200
CreaPen Digitalization system	48	47	m	21/04/2005	20/04/2009	36,400	833	833	364
Vaporizer MVT	48	47	m	31/03/2004	30/03/2008	18,900	448	448	189
Automatic cutter line	60	59	m	01/02/2000	01/02/2005	47,555	887	887	476
Motor vehicle	36	35	m	16/11/2005	16/11/2008	15,833	2,375	377	1,583
Machinery	60	19	q	29/11/2002	29/11/2007	45,322	9,064	2,137	453
Motor vehicle	36	35	m	30/06/2005	30/06/2008	12,536	627	301	3,761

Impairments

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

Note 7—Other financial assets

The financial assets of the LF Group in other companies amount to Euro 6,859 and include investments in other companies.

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

	As of December 31, 2010				Changes in the period			As of December 30, 2011			
In Euro	Cost	Reval.	Write-down	NBV	Increases	Decreases	Change consol. scope	Cost	Reval.	Write-down	NBV
1) Investments in											
—subsidiaries	45,000	—	—	45,000	—	(45,000)	—	—	—	—	—
—other companies	6,859	—	—	6,859	—	—	—	6,859	—	—	6,859
Total other financial assets	51,859	—	—	51,859	—	(45,000)	—	6,859	—	—	6,859

The decrease in investments in subsidiaries is due to the consolidation of the subsidiary Tessitura Sidoti as of December 31, 2011, while it was not consolidated as of December 31, 2010.

Other companies investments relate to the Obligatory National Packaging Consortium (CONAI) for Euro 5 (held by the Parent Company) and to the Credito Romagna Est Banca di Credito Cooperativo (held by Liviana Conti).

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 table below:

In Euro	As of December 31, 2011 Gross	Net	As of December 31, 2010 Gross	Net	Changes Gross	Net
Inventories						
Raw materials, consumables and goods	5,579,456		3,623,935		1,955,521	
(obsolescence provision)	(1,289,502)		(1,001,146)		(288,356)	
Total raw materials, consumables and goods		**4,289,954**		**2,622,789**		**1,667,165**
Work-in-progress & semi-finished products	3,517,672		3,086,639		431,033	
Contract work-in-progress	—		—		—	
Total work-in-progress & semi-finished products		**3,517,672**		**3,086,639**		**431,033**
Finished goods	32,143,420		15,093,675		17,049,745	
(obsolescence provision)	(3,925,678)		(2,179,458)		(1,746,220)	
Total finished goods		**28,217,742**		**12,914,217**		**15,303,525**
Total inventories		**36,025,368**		**18,623,645**		**17,401,723**

Inventories, valued in accordance with the criteria previously illustrated, include:

- raw materials, consumables and goods, amounting to Euro 4,289,954, relating to yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 3,517,672, representing clothing in production not completed at year-end;
- finished goods, amounting to Euro 28,217,742, including garments produced and complementary products distributed.

The obsolescence provisions, recorded as a direct reduction of inventories for a total amount of Euro 5,215,180, is calculated to represent the 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 December 31, 2011	As of December 31, 2010	Change in the year
Trade receivables	38,655,284	27,214,293	11,440,991
Receivables due from controlled entities	21,423	2,834,210	(2,812,787)
Tax receivables	3,047,210	1,104,495	1,942,715
Deferred tax assets	2,970,547	1,885,428	1,085,119
Other	1,197,132	621,224	575,908
Total receivables	**45,891,596**	**33,659,650**	**12,231,946**

Trade receivables, amounting to Euro 38,655,284 as of December 31, 2011, refer to receivables for the sale of products produced and distributed by the LF Group. The change compared to the previous year is mainly attributable to the increased turnover.

Trade receivables are reported net of doubtful debt provision, amounting to Euro 2,050,000, against the risk of potential losses. The movements of the provision in the year are as follows:

As of December 31, 2010	Utilizations	Provisions	Release	As of December 31, 2011
(1,056,650)	321,219	(1,314,569)	—	(2,050,000)

Receivables due from controlled entities include receivables as of December 31, 2011 due from the subsidiary Luciano Padovan S.r.l. (Euro 21,423) for goods and services provided. Additionally, account included receivables from the subsidiary Luciano Padovan S.r.l. related to loans issued for a total amount of Euro 3,750,002 (three loans granted to the subsidiary on April 30, 2010, June 30, 2010 and March 23, 2011, respectively, which are all interest-free loans with full repayment on the maturity date, after 5 years from granting). These receivable was fully written down as of December 31, 2011 (for further details please see Note 21—Impairment of investments).

Tax receivables include almost exclusively the VAT receivable of LF Group companies, amounting to Euro 2,963,226 (Euro 1,071,235 as of December 31, 2010).

Deferred tax assets: refer to temporary tax differences, deductible in future years, mainly related to obsolescence provision, non-deductible portion of doubtful debt provision and other non-deductible provisions for risks and charges. Please refer to Note 23 for a breakdown of the item and for changes occurred in the period.

Other receivables mainly include deposits and receivables from suppliers, advances and credit notes to be received.

Breakdown of receivables by geography area

The geographic breakdown of trade receivables is as follows:

Percentage	As of December 31, 2011	As of December 31, 2010
Italy	82%	78%
EU	15%	20%
Non EU	3%	2%
Total	**100%**	**100%**

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

Maturity of receivables

The maturity of receivables as of December 31, 2011 is shown in the table below:

In Euro	Total	Due within 1 year	Due between 1 & 5 years	Due beyond 5 years
Trade receivables	38,655,284	38,655,284	—	—
Receivables due from controlled entities	21,423	21,423	—	—
Tax receivables	3,047,210	3,047,210	—	—
Deferred tax asset	2,970,547	2,935,577	34,970	—
Other	1,197,132	691,485	505,647	—
Total receivables	**45,891,596**	**45,350,979**	**540,617**	**—**

Note 10—Cash and cash equivalents

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

In Euro	As of December 31, 2011	As of December 31, 2010	Change
Bank and postal accounts	10,123,488	14,607,495	(4,484,007)
Cheques	2,286,841	24,629	2,262,212
Cash in hand	75,225	58,626	16,599
Total cash and cash equivalents	**12,485,554**	**14,690,750**	**(2,205,196)**

For a better understanding of the changes in cash and cash equivalents, please refer to the consolidated cash flow statement presented at the beginning of the present document.

Note 11—Accrued income and prepaid expenses

Accrued income amounts to Euro 53,515 (Euro 225 as of December 31, 2010) as detailed in the following table:

In Euro	As of December 31, 2011	of which over 5 years	As of December 31, 2010	of which over 5 years
Bank commissions	—	—	225	—
Services	4,613	—	—	—
Insurance	48,902	—	—	—
Total of accrued income	**53,515**	**—**	**225**	**—**

Prepaid expenses amount to Euro 290,651 (Euro 160,509 as of December 31, 2010) as detailed in the following table:

In Euro	As of December 31, 2011	of which over 5 years	As of December 31, 2010	of which over 5 years
Condominium expenses	—	—	663	—
Rental	4,254	—	22,063	—
Trade fairs	124,472	—	81,312	—
Services	134,175	—	—	—
Marketing	—	—	12,378	—
Motor expenses	1,946	—	—	—
Sureties	9,960	—	3,105	—
Insurance	864	—	1,593	—
Maintenance contracts	—	—	250	—
Interest expense	—	—	2,283	—
Subscriptions	310	—	165	—
Consultants	—	—	36,547	—
Associations	—	—	102	—
Other	14,670	—	48	—
Total of prepaid expenses	**290,651**	**—**	**160,509**	**—**

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

Note 12—Shareholders' equity

The following table provides details of the movements in shareholders' equity over the last year:

In Euro	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Extraordinary reserve	Amnesty reserve	Other	Consolidation reserve	Retained earnings	Profit/(loss) for the year	Total
As of December 31, 2010	368,868	9,907,783	880,000	73,774	10,837,550	736,335	—	8,051	49,658	7,188,031	30,050,050
Allocation of previous year profit					7,214,297		(2)		(26,264)	(7,188,031)	—
Dividends distributed by parent company					(368,868)						(368,868)
Other							3				3
Profit for the year										9,703,355	9,703,355
As of December 31, 2011	368,868	9,907,783	880,000	73,774	17,682,979	736,335	1	8,051	23,394	9,703,355	39,384,540
Total group Shareholders' equity .											39,384,540
Capital and reserves attributable to non-controlling interests . .											5,000
Profit for the period attributable to non-controlling interests . .											3,452
Total equity attributable to non-controlling interests											8,452
Total Shareholders' equity											39,392,992

Share capital, amounting to Euro 368,868, is fully subscribed and paid-in.

Equity attributable to non-controlling interests amounts to Euro 8,452.

Reconciliation between profit/(loss) and equity of parent company with profit/(loss) and equity of consolidated financial statements

The reconciliation between profit/(loss) and equity as for separate financial statements of the Parent Company and profit/(loss) and equity as for Consolidated Financial Statements is reported in the following table.

In Euro	Profit/(loss) for the year ended December 31, 2011	Equity as of December 31, 2011
Financial statements of Light Force S.p.A.	9,452,019	39,470,627
Dividends Distributed during the year		(368,868)
		39,101,759
—Elimination of the carrying value of the consolidated investment Liviana Conti srl		
Difference between the carrying value and net equity of Liviana Conti S.r.l.	223,501	248,109
—Elimination of the carrying value of the consolidated investment Tessitura Sidoti S.r.l.:		
Difference between the carrying value and net equity of Tessitura Sidoti S.r.l.	66,292	66,292
—Accounting of leases under the finance method		
IAS 17 effect related to Light Force S.p.A.	874	(545)
IAS 17 effect related to Liviana Conti S.r.l.	(4,166)	4,545
—Elimination of intercompany gains/losses:		
Inter-company sale of assets Liviana Conti S.r.l.	63	(398)
Profit in stock related to Tessitura Sidoti S.r.l.	(35,227)	(35,227)
—Other consolidation adjustments		5
Profit/(loss) and equity attributable to the Group	**9,703,355**	**39,384,540**
Profit/(loss) and equity attributable to non-controlling interests .	**3,452**	**8,452**
Consolidated profit/(loss) and equity	**9,706,807**	**39,392,992**

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 a specific business

The Parent Company does not have equity allocated to a specific business.

Note 13—Provisions for risks and charges

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

In Euro	As of December 31, 2010	Increases	Decreases	As of December 31, 2011
Provision for pensions and similar obligations	1,117,633	392,993	—	1,510,626
Other provision for risks and charges	309,718	1,197,764	(3,754)	1,503,728
Total provisions for risks and charges	**1,427,351**	**1,590,757**	**(3,754)**	**3,014,354**

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. The utilization of the year concern sums paid for the termination of agency contracts.

Other provision for risks and charges relates to potential disputes with third parties and includes provisions for disputes with landlords of certain retail locations and for litigations on agency contracts.

Note 14—Provision for employee severance indemnities

The provision reflects the liability due to employees as of December 31, 2011, less advances paid and transfers made the INPS Treasury Fund and the Open Funds.

The changes between December 31, 2010 and December 31, 2011 are shown in the table below:

In Euro	As of December 31, 2010	Increases		Decreases			As of December 31, 2011
		Provisions	Other	Departure	Other	Payments	
Severance indemnity liability	671,113	106,794	290,969	(87,665)	(835)	(290,969)	689,407
Advances	(136,971)						(136,971)
Payments to supplementary funds	34,258		90,378			(88,719)	35,917
Total employee severance provision	**568,400**	**488,141**		**(468,188)**			**588,353**

The provisions are summarized as follows:

In Euro	Year ended December 31, 2011
INPS Treasury Fund	290,969
Other supplementary funds	90,378
Company fund	106,794
Total severance increases	**488,141**

Note 15—Payables

The changes in payables are shown in the following table:

In Euro	As of December 31, 2011	As of December 31, 2010	Changes
Bank loans	16,770,845	12,179,527	4,591,318
Client advances	158,216	123,044	35,172
Trade payables	34,785,325	23,874,711	10,910,614
Payables due to controlled entities	3,707,628	880,927	2,826,701
Tax payables	3,260,749	2,993,657	267,092
Social security payables	572,264	440,597	131,667
Other payables	5,909,105	2,193,781	3,715,324
Total payables	**65,164,132**	**42,686,244**	**22,477,888**

Bank loans include bank overdrafts for Euro 8,339,479 and loans (all unsecured) for Euro 8,431,366.

The following table reports the breakdown of loans at December 31, 2011 compared to December 31, 2010:

		Changes				Maturity		
In Euro	As of December 31, 2010	Repayments	Drawdown	As of December 31, 2011	Within one year	Beyond one year	Within five year	Over five year
MPS (ex BAM)	48,968	(48,968)		—				
SACE/BPV-BSGSP	140,000	(140,000)		—				
CARISBO	—		906,021	906,021	191,845	714,175	906,021	—
CARIGE	646,814	(104,732)		542,082	150,238	391,844	542,082	—
BANCA MODENESE	301,982	(212,189)		89,793	89,793	—	89,793	—
BPER	363,106	(214,013)		149,093	149,093	—	149,093	—
BPER—SACE	2,485,347	(536,068)		1,949,279	539,633	1,409,646	1,949,279	—
BPER	1,500,000	(71,698)		1,428,302	277,325	1,150,978	1,428,302	—
BNL	995,000	(62,187)		932,813	248,750	684,063	932,813	—
CENTROBANCA	1,050,000	—		1,050,000	600,000	450,000	1,050,000	—
BANCA POP. COMM.&IND	—		856,490	856,490	193,187	663,303	856,490	—
BCC ROMAGNA EST	461,035	(150,130)		310,905	153,607	157,298	310,905	—
BPER	316,287	(99,699)		216,588	105,324	111,264	216,588	—
Total bank loans	**8,308,539**	**(1,639,684)**	**1,762,511**	**8,431,366**	**2,698,795**	**5,732,571**	**8,431,366**	**—**

During 2011, the Parent Company obtained two new loans, one from Banca Commercio e Industria for an original amount of Euro 999,500 and the other from Carisbo for an original amount of Euro 1,000,000.

Client advances relate to advances received concerning sales.

Trade payables, amounting to Euro 34,785,325, mainly refer principally to supply of goods and services and to agents commissions. The increase compared to December 31, 2010 is mainly attributable to the increased business activities.

Payables due from controlled entities concern the payable due from Luciano Padovan S.r.l. for commercial relationship with Light Force, together with the payable related to the national fiscal consolidation contract.

Tax payables are exposed net of advances paid and withholding taxes receivables. This account is composed by IRES payable for Euro 1,822,040, IRAP payable for Euro 424,188; withholding taxes on employees and professionals for Euro 471,749 and the the payable for the judicial settlement made by Light Force in 2010 for Euro 94,213.

Social security payables mainly refer to INPS (Euro 495,551), INAIL (Euro 13,553), ENASARCO (Euro 59,858) and other social security institutions for the residual amount.

Other payables include, in addition to employee payables for salaries, vacations not yet taken, additional salary (called 13th and 14th months salary) and related social contributions, director payables, payables to clients not offsettable with trade receivables and payables to supplementary pension funds.

Maturity of payables

The changes in the period are shown in the table below:

In Euro	As of December 31, 2011	Due within one year	Due beyond one year
Bank loans	16,770,845	11,038,274	5,732,571
Client advances	158,216	158,216	—
Trade payables	34,785,325	34,785,325	—
Payables due to controlled entities	3,707,628	3,707,628	—
Tax payables	3,260,749	3,260,749	—
Social security payables	572,264	572,264	—
Other payables	5,909,105	5,909,105	—
Total payables	**65,164,132**	**59,431,561**	**5,732,571**

Breakdown of payables by geographic area

The geographic breakdown of trade payables is as follows:

Percentage	As of December 31, 2011	As of December 31, 2010
Italy	76%	87%
EU	2%	1%
Non EU	22%	12%
Total	**100%**	**100%**

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

Financial instruments

The Companies of the LF Group have not issued financial instruments.

Project finance loans

The Companies of the LF Group have not issued loans to a specific business.

Note 16—Accrued expenses and deferred income

This account amounts to Euro 122,604 as of December 31, 2011 (Euro 85,357 as of December 31, 2010) and include deferred income related to rents for Euro 3,388 (Euro 3,333 as of December 31, 2010) and the following accrued expenses:

Accruals (In Euro)	As of December 31, 2011	As of December 31, 2010	Changes
Bank expenses	18,027	13,463	4,564
Confindustria	8,871	5,303	3,568
Condominium expenses	—	621	(621)
Insurance	50,314	36,221	14,093
Loan interest	6,382	6,672	(290)
Waste tax charge	—	1,027	(1,027)
Rental	7,370	13,168	(5,798)
Travel expenses	—	1,343	(1,343)
Taxes	—	6	(6)
Services	27,199	4,200	22,999
Other	1,053	—	1,053
Total accrued expenses	**119,216**	**82,024**	**37,192**

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

Note 17—Memorandum accounts

Memorandum accounts reported at the end of the interim consolidated balance sheet refer to sureties provided by the Parent Company in favor of Banca Popolare dell'Emilia Romagna in the interest of Luciano Padovan S.r.l. for a total amount of Euro 800,000. In addition, the Parent Company granted further guarantees on behalf of the subsidiary Luciano Padovan S.r.l. relating to three bank loans undertaken by the subsidiary. In particular:

➤ Intesa Sanpaolo, loan of Euro 1,500,000 with 72 months duration, fully guaranteed by Light Force S.p.A.;

➤ Banca Popolare di Milano, loan of Euro 1 million with 60 months duration, guaranteed up to Euro 0.5 million by Light Force S.p.A.;

➤ UniCredit, short-term revocable credit lines of Euro 2 million, fully guaranteed by Light Force S.p.A..

Other sureties have been provided by the Parent Company in favor of Banca Popolare dell'Emilia Romagna in the interest of Liviana Conti S.r.l. for a total amount of Euro 1,125,000.

In addition, sureties provided by credit institutions on behalf of the Parent Company, related to contractual obligations undertaken on the signing of rental contracts amount to Euro 3,550,097 (Euro 926,925 as of December 31, 2010).

Memorandum accounts also include commitments related to the business unit rental contract signed by the subsidiary Tessitura Sidoti S.r.l., as further described in Note 2—consolidation area paragraph, corresponding to the price established for the exercise of the purchase option on business rented net of the net equity subject to the rental contract.

In relation to the commitments deriving to USD forward purchase and sale contracts in place as of December 31, 2011, amounting to Euro 6,540,084, please refer to the following table:

Bank	Product	Amount (USD)	Purchase/Sale	Operation date	Maturity date	Spot rate	Ctr Euro	Fair Value
BANCA CARIGE . . .	Forward contract	1,000,000	Purchase	28/10/2011	28/02/2012	1.410	709,321	64,295
BANCA CARIGE . . .	Forward contract	1,500,000	Purchase	28/10/2011	30/03/2012	1.410	1,064,132	96,932
BANCA CARIGE . . .	Forward contract	2,000,000	Purchase	28/10/2011	31/01/2012	1.411	1,417,864	128,071
BANCA CARIGE . . .	Forward contract	1,000,000	Sale	07/12/2011	28/02/2012	1.344	744,158	(29,521)
BANCA CARIGE . . .	Forward contract	1,500,000	Sale	07/12/2011	30/03/2012	1.344	1,116,071	(45,160)
BANCA CARIGE . . .	Forward contract	2,000,000	Sale	07/12/2011	31/01/2012	1.344	1,488,538	(58,030)
Total forward contracts							**6,540,084**	**156,587**

A forward contract with BNL was settled in advance, on December 9, 2011, with a gain of Euro 57,640.

Note 18—Revenue and income

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Revenue	117,754,878	86,491,099	31,263,779
Other income and internally generated assets	1,609,007	587,993	1,021,014
Change in work in progress, semifinished and finished product inventories	15,734,558	4,677,920	11,056,638
Total revenue and income	**135,098,443**	**91,757,012**	**43,341,431**

Revenue refers to sales in the year through the various channels: Wholesale (Euro 88,859,474), Retail (Euro 12,969,935) and Shop Online (Euro 1,421,691), in addition to other revenue for Euro 14,503,778 (other revenue includes, for the year ended December 31, 2011, Liviana Conti's revenue).

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

As of December 31, 2011 the LF Group operated in the retail channel through 18 stores (12 directly-operated stores—DOS and 6 outlets located in Italy). 3 DOS and 3 outlets were opened in Italy during 2011, while 1 italian DOS has been closed during the same period.

Breakdown of revenue by geographic area

Percentage	As of December 31, 2011	As of December 31, 2010
Italy	69%	66%
EU	22%	23%
Non EU	9%	11%
Total	**100%**	**100%**

Other income and internally generated assets are composed of:

In Euro	As of December 31, 2011
Rental income	34,489
Reimbursements	191,372
Royalties	300,000
Ordinary gains	100
Other revenue	1,083,046
Internally generated assets	—
Total other income and internally generated assets	**1,609,007**

Royalties refer to sales previously marketed by third parties that, starting from the second part of 2011, are directly managed by the Parent Company.

Note 19—Operating costs

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Purchase of raw materials, goods and changes in inventory	53,160,726	32,559,385	20,601,341
Cost of services	42,873,795	31,584,322	11,289,473
Rent	3,791,578	2,977,391	814,187
Personnel costs	9,448,051	7,181,349	2,266,702
Depreciation and Amortization	2,370,823	1,769,392	601,431
Write-downs of trade receivables	1,314,569	611,725	702,844
Provisions	1,197,764	201,463	996,301
Other operating costs	494,593	494,308	285
Total operating costs	**114,651,900**	**77,379,335**	**37,272,565**

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	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Raw materials, supplementary materials, consumables and goods	54,827,891	33,181,451	21,646,440
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,667,165)	(622,066)	(1,045,099)
Total purchase of raw materials, goods and changes in inventory	**53,160,726**	**32,559,385**	**20,601,341**

The breakdown of cost of services is as follows:

In Euro	Year ended December 31, 2011
External works	15,596,856
Agent commissions	8,703,116
Marketing and advertising	7,113,831
Logistics and transport	5,353,783
Other service costs	3,008,442
Administrative	1,877,522
Insurance	744,566
Travelling expenses	475,679
Total cost of services	**42,873,795**

The increase in rent costs compared to 2010 is mainly due to the new openings of boutiques, corners and outlets occurred during 2011. The breakdown of rent costs is as follows:

In Euro	Year ended December 31, 2011
Rent expenses for shop, outlet and showrooms	2,876,784
Rent expenses for headquarters	761,717
Other rent expenses	153,077
Total rent	**3,791,578**

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

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Wages and salaries	7,083,509	5,403,814	1,679,695
Social security contributions	1,876,401	1,408,049	468,352
Employee severance indemnities	488,141	369,486	118,655
Total personnel cost	**9,448,051**	**7,181,349**	**2,266,702**

The increase is mainly due to the increased Parent Company's employees number, hired to strengthen the Retail channel sales force. As of December 31, 2011, the LF Group employed 259 employees (headcount). The following table shows the related breakdown by category:

Number of employees	As of December 31, 2011	As of December 31, 2010
Blue-collar	161	136
White collar	98	73
Executives	—	—
Total employees number	**259**	**209**

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

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Depreciation	1,085,249	956,575	128,674
Amortization	1,285,574	812,817	472,757
Total depreciation and amortization	**2,370,823**	**1,769,392**	**601,431**

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 for the year ended December 31, 2011 are stable with respect to previous year and mainly include gifts for Euro 82,530, stationery for Euro 148,821, other taxes for Euro 73,060, losses on receivables for Euro 12,739 and ordinary losses for Euro 100 in 2011. This account also includes other prior year expenses for Euro 117,343.

Note 20—Financial income and expenses

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Other financial income	261,400	79,692	181,708
Interest and other financial expenses	(422,172)	(281,780)	(140,392)
Foreign exchange gains/(losses)	7,221	261,339	(254,118)
Total financial income and expenses	**(153,551)**	**59,251**	**(212,802)**

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

The breakdown of interest and other financial expenses in the year is shown in the table below:

	For the year ended December 31, 2011			For the year ended December 31, 2010		
In Euro	Total	Short-term	Medium/Long	Total	Short-term	Medium/Long
Bank interest	**389,642**	**172,742**	**216,900**	**264,745**	**142,755**	**121,990**
Loan interest	*216,900*	—	*216,900*	*121,990*	—	*121,990*
Interest on overdrafts and short-term loans	*157,799*	*157,799*	—	*141,934*	*141,934*	—
Interest on short-term loans	—	—	—	*141*	*141*	—
Bank charges	*14,943*	*14,943*	—	*680*	*680*	—
Interest on tax payables	**29,404**	**29,404**	**—**	**16,156**	**16,156**	**—**
Interest on other payables	**3,126**	**3,126**	**—**	**879**	**879**	**—**
Total interest and other financial expenses	**422,172**	**205,272**	**216,900**	**281,780**	**159,790**	**121,990**

Exchange gains and losses for the year are composed of:

In Euro	For the year ended December 31, 2011 Total	Gains	Losses
Realised exchange gains/(losses)	136,457	416,124	(279,667)
Unrealised exchange gains/(losses)	(129,236)	5,275	(134,511)
Total exchange gains and losses	**7,221**	**421,399**	**(414,178)**

Exchange gains and losses occurred in the period mainly refer to the US Dollar forward purchase contracts closed.

Note 21—Impairment of investments

The Consolidated Financial Statements include within financial assets held for sale the investment in the company Luciano Padovan S.r.l., amounting to 90% of the share capital. That investment (corresponding to an original cost of Euro 2 million) was registered with a value equal to zero since it was fully written down as of December 31, 2010. This classification of the investment is related to the strategies established by the Directors who, in the year of acquisition, already provided for the disposal to third parties of the company. At the date of preparation of these Consolidated Financial Statements the disposal process has not been defined and therefore it is not yet possible to estimate the realizable value of the investment. Based on currently available informations, both the investment and the financial receivables has been fully written down as of December 31, 2010 and 2011 respectively.

The amount of Euro 3,750,002 recorded in the 2011 Consolidated Financial Statements refers to the total write-down of financial receivables of Light Force with Luciano Padovan S.r.l. at December 31, 2011.

In relation to the above-stated investment, the following details as of December 31, 2011 are provided:

In Euro	Holding %	Nominal value	Carrying value	Write-down	Share of net equity	Total net equity	Net profit/ (loss)
LUCIANO PADOVAN S.r.l. Euro 100.000 Via Bergamina n.10/12—Nerviano (MI)	90%	1,350,000	2,000,000	(2,000,000)	(3,169,142)	(3,521,269)	(3,864,796)

Note 22—Extraordinary income and expenses

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Extraordinary income	196,632	117,563	79,069
Extraordinary expenses	(151,162)	(733,274)	582,112
Total extraordinary income and expenses	**45,470**	**(615,711)**	**661,181**

For a breakdown of extraordinary income please refer to the following table:

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Gains on disposals	—	—	—
Other extraordinary income	196,632	117,563	79,069
Total extraordinary income	**196,632**	**117,563**	**79,069**

For a breakdown of extraordinary expenses please refer to the following table:

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Losses on disposals	—	—	—
Prior years taxes	(722)	(152,371)	151,649
Other extraordinary expenses	(150,440)	(580,903)	430,463
Total extraordinary expenses	**(151,162)**	**(733,274)**	**582,112**

Note 23—Income tax, deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Current taxes	(7,969,362)	(4,935,831)	(3,033,531)
Deferred taxes	2,589	298,802	(296,213)
Prepaid taxes	1,085,119	3,843	1,081,276
Total income tax	**(6,881,654)**	**(4,633,186)**	**(2,248,468)**

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

Deferred tax asset

Description of temporary differences (In Euro)	As of December 31, 2010 Assessable	%	Tax (a)	Decreases Assessable	%	Tax (b)	Increases Assessable	%	Tax (c)	As of December 31, 2011 Assessable	%	Tax (a+b+c)
Sales representative expenses	468	31.4	146	468	31.4	146		31.4		—	31.4	—
Amortization of intangible assets	131,690	31.4	41,352							131,690	31.4	41,352
Exchange losses	27,877	27.5	7,666	6,582	27.5	1,810		27.5	—	21,295	27.5	5,856
Doubtful debt provision	984,561	27.5	270,755	183,664	27.5	50,508	1,123,433	27.5	308,944	1,924,330	27.5	529,192
Losses on receivables	134,534	27.5	36,998		27.5	—	134,511	27.5	36,991	269,045	27.5	73,988
Obsolescence provision	3,180,604	31.4	998,709	135,755	31.4	42,627	2,170,331	31.4	681,484	5,215,180	31.4	1,637,566
Agents indemnity	576,102	31.4	180,896				392,993	27.5	108,073	969,095	31.4	288,969
Dues not paid	5,303	27.5	1,458	5,303	31.4	1,665	8,923	31.4	2,802	8,923	27.5	2,595
Risk provision	309,719	27.5	85,172	3,754	27.5	1,032	900,036	27.5	247,510	1,206,001	27.5	331,649
Interest expense not deductible	—	27.5	—		27.5	—				—	27.5	—
Losses carried forward	952,954	27.5	262,060	952,954	27.5	262,062				—	27.5	−2
Directors fees not paid	—	27.5	—		27.5		150,000	27.5	41,250	150,000	28.5	41,250
Amortisation trademarks	273	31.4	82							273	31.4	82
Deferred tax asset on consolidation adjustments	423	31.4	133				57,057	31.4	17,916	57,480	31.4	18,049
Total deferred tax assets	6,304,509		1,885,428	1,288,480		359,851	4,937,283		1,444,969	9,953,313		2,970,547

Deferred tax liability

Description of temporary differences (in Euro)	As of December 31, 2010 Assessable	%	Tax (a)	Decreases Assessable	%	Tax (b)	Increases Assessable	%	Tax (c)	As of December 31, 2011 Assessable	%	Tax (a+b+c)
Unrealised exchange gains	22,025	27.5	6,057	935	27.5	257	5,275	27.5	1,451	26,365	27.5	7,250
Gains	13,300	27.5	3,659	6,650	27.5	1,829				6,650	27.5	1,830
Deferred tax liabilities on consolidation adjustments	13,793	31.4	4,331	6,226	31.4	1,955		31.4		7,567	31.4	2,376
Total deferred tax liabilities	49,118		14,045	13,811		4,041	5,275		1,451	40,582		11,455

Note 24—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 the independent audit firm

The breakdown of the remuneration of Directors, Statutory Auditors and the Independent Audit Firm is shown below:

In Euro	Year ended December 31, 2011	Year ended December 31, 2010	Changes
Board of Directors	712,290	485,000	227,290
Board of Statutory Auditors	38,817	27,232	11,585
Independent Auditors	109,767	59,767	50,000
Total remuneration	**860,874**	**571,999**	**288,875**

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 MO.DA Gioielli S.r.l., a company owned and managed by Shareholders and Directors of Light Force S.p.A.

MO.DA Gioielli S.r.l. also holds the companies Liviana Conti S.r.l. and K8 S.r.l., operating in the women's clothing and accessory sector and marketed under the brands "Liviana Conti" and "Erika Cavallini—Semi-Couture", respectively. Each of these companies undertook commercial transactions with the LF 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, whose financial effects were already described in detail in Note 17.

Annex A—Summary of certain differences between Italian GAAP as compared to IFRS

The matters described below summarize certain differences between Italian GAAP and IFRS that may be material to the financial information included in this Offering Memorandum. We have not prepared a qualitative or quantitative reconciliation of our consolidated financial statements and related footnote disclosure between Italian GAAP and IFRS; accordingly, we cannot assure you that this summary is complete. In making an investment decision, you must rely upon your examination of the Group and the financial statements included elsewhere in this Offering Memorandum. You should consult your own professional advisers for an understanding of the differences between Italian GAAP and IFRS and how those differences might affect the financial information included in this Offering Memorandum.

The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the Italian GAAP audited consolidated financial statements. No attempt has been made to identify future differences between Italian GAAP and IFRS, as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Regulatory bodies that promulgate Italian GAAP and IFRS have significant ongoing projects that could affect future comparisons, such as this one between Italian GAAP and IFRS. Future developments or changes in Italian GAAP and IFRS may give rise to additional differences between Italian GAAP and IFRS, which could have a significant impact on the Group.

1. REVENUE RECOGNITION

a) Presentation of revenue (gross or net basis)

Italian GAAP

No specific guidance exists under Italian GAAP to represent revenue on a gross or net basis. Accounting treatment is mainly based on the legal form of the transaction. In particular, revenue recognition focuses on the concept of realization, transfer of legal right and of risk of asset ownership and on performance of services.

IFRS

Revenue recognition, as defined in the IASB Framework, means incorporating an item that meets the definition of revenue in the income statement when it meets the following criteria:

- it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and
- the amount of revenue can be measured with reliability.

IAS 18 provides guidance for recognizing the following specific categories of revenue.

Revenue arising from the sale of goods should be recognized when all of the following criteria have been satisfied:

- the seller has transferred to the buyer the significant risks and rewards of ownership;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. CLASSIFICATION OF INCOME STATEMENT—EXTRAORDINARY ITEMS

Italian GAAP

Under Italian GAAP, extraordinary items include both items of a recurring and non-recurring nature. Recurring items reported as extraordinary items include gains and losses on disposal of fixed assets and non-recurring items such as impairments charges, restructuring costs, exit costs, adjustments of prior year accruals and taxes. Under Italian GAAP, such costs have to be classified as extraordinary items.

IFRS

According to IFRS extraordinary costs and revenue cannot be reported separately in the income statement. All costs and revenue are related to the ordinary activity of the entity.

3. INTANGIBLE ASSETS

a) Acquisition related costs

Italian GAAP

Accounting for acquisition related costs are not specifically addressed by Italian GAAP. According to the common accounting practice, acquisition related costs can be considered part of the consideration transferred or capitalized under intangible assets.

IFRS

Acquisition related costs such as finder's fees, advisory, legal, accounting and other professional fees are not part of the consideration transferred and they are accounted for as an expense when the acquirer consumes the related services.

b) Transaction costs related to capital increase

Italian GAAP

According to Italian GAAP, costs directly attributable to the equity transaction are capitalized as intangible assets and amortized over the expected period of utilization, which cannot however exceed five years starting from the year in which the costs were incurred.

IFRS

Costs directly attributable to the equity transaction (i.e. fees paid to lawyers, accountant, investment bankers for a capital increase....) are accounted for as a deduction from equity, net of any related income tax benefit.

c) Goodwill

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.

IFRS

Goodwill is the excess of the fair value of the consideration transferred, the amount of any non-controlling interest recognized and the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill should not be amortized but should be reviewed for impairment at least annually at the cash-generating-unit level.

4. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

Italian GAAP

According to Italian GAAP, all investments in subsidiaries shall be consolidated except when not significant or when financial data are not available on timely manner and without significant costs.

IFRS

In accordance with IFRS, all investments in subsidiaries shall be consolidated.

5. DEBT ISSUANCE COSTS

Italian GAAP

According to Italian GAAP, debt issuance costs may be directly recorded in the income statement or capitalized as intangible assets and amortized over their useful life.

IFRS

According to IFRS, debt issuance costs are capitalized as a reduction of the borrowing in the balance sheet. The amortization of debt issuance costs is recognized as interest expenses in the income statement.

6. TFR ITALIAN GAAP

TFR includes the indemnity to be paid on termination of the employees, calculated in conformity with regulations and the collective contracts in place. TFR is not discounted and it is calculated as if all the employees left the Issuer at the balance sheet date.

IFRS

According to IAS 19, TFR must take into consideration the estimated provision to be paid to the employees when they effectively will leave the company. This provision needs to be discounted appropriately, based on the personnel rotation, the expected interest rate and the life expectation.

Following the implication of the "*Legge finanziaria 2007*" issued by the Italian government, TFR can be split into two different parts: i) TFR from 1 January 2007 onward is considered a Defined Contribution Plan and no actuarial calculation is necessary; ii) TFR accrued since 31 December 2006 is a Defined Benefit Plan and an actuarial calculation is required.

7. DERIVATIVES

Italian GAAP

Derivatives are commonly defined as financial instruments that derive their value from an underlying price or index such as an interest rate, a foreign exchange rate or commodity price. Derivatives can be divided in:

- Hedging derivatives: derivatives entered into by the company in order to hedge different risks (currency, interest or market price risks);
- Non hedging derivatives: derivatives entered into by the company with the objective to generate profit in the near term.

Hedging derivatives are measured as follows:

- derivatives have to be reported in the memorandum account (off-balance-sheet account). Derivatives shall be measured on the basis of the criteria followed for the underlying assets they refer to; and
- the gain or the loss deriving from the hedging instrument is recorded into the income statement in the same periods in which costs and revenue of the hedged items are accounted for.

Non hedging derivatives shall be measured at fair value. The entity shall book a provision if the fair value is negative. If the fair value is positive, following the general criteria of prudence, no accrual shall be booked.

IFRS

IFRS defines a derivative as a financial instrument whose value changes in response to a specified variable or underlying rate (for example, interest rate), that requires no or little net investment and that is settled at a future date. All derivatives are recognized on the balance sheet as either financial assets or liabilities. They are initially measured at fair value on the acquisition date. Subsequent measurement of all derivatives is at their fair value, regardless of any hedging relationship that might exist. Changes in a derivative's value are recognized in the income statement as they arise, unless they satisfy the criteria for hedge accounting.

According to IFRS, hedge accounting is permitted provided that an entity meets stringent qualifying criteria in relation to documentation and hedge effectiveness. Hedging refers to the process of entering into a derivative transaction in the expectation that the transaction will eliminate or reduce an entity's exposure to a particular risk. Risk reduction is obtained because the derivative's value or cash flow are expected to move inversely, offsetting changes in the value or cash flow of the hedged position.

8. BUSINESS COMBINATIONS

Italian GAAP

According to Italian GAAP, business combination accounting criteria requires separate recognition of the acquirer's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities must be recognized at fair value at the date of acquisition. However, in accordance with Italian GAAP, there is no specific guidance related to the definition of a business combination. Classification of a business combination is largely dependent on the legal form of the vehicle which has been acquired.

In addition, accounting for business combinations under common control is not specifically addressed by Italian GAAP. According to the common accounting practice, assets and liabilities acquired are measured at fair value in the consolidated financial statements. Goodwill arises as the difference between the price and the fair value of the net assets acquired.

IFRS

IFRS 3 *Business Combinations* ("IFRS 3") outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants (IFRS 3 Appendix A).

IFRS 3 is not applicable to business combination under common control, where the business is ultimately controlled by the same parties both before and after the business combination. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. In this case, management shall develop a policy that is relevant to the decision-making needs of users and that is reliable. For these cases, according to common principles normally used, no assets and liabilities are restated to their fair values but they are incorporated at the predecessor carrying values and no new goodwill arises.

9. RENTAL COSTS

Italian GAAP

Rental costs are accounted for on accrual basis.

IFRS

Rentals payable under an operating lease should be recognized as an expense on a straight-line basis over the lease term, even if the payments are not made on that basis, unless another systematic basis is more representative of the time pattern of the user's benefit.

IFRS requires that all incentives for the agreement of a new or renewed operating lease should be recognized as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

The lessee should recognize the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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