TWIN SET – SIMONA BARBIERI S.p.A.

Interim Report as of and for the six months ended June 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the financial conditions and results of operations of Twin Set – Simona Barbieri Group (Group or Twinset) as of and for the six months ended June 30, 2017. This discussion should be read together with the Twin Set – Simona Barbieri Group Interim Consolidated Financial Statements as of and for the six months ended June 30, 2017 prepared in accordance with Italian GAAP and the related notes. We have condensed and renamed certain Italian GAAP line items in these statements in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP.

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

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

OVERVIEW

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

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

Twinset Group, through its collections, produces and offers a complete line of products. The Twinset collection was the first line that went into production (since 2000) and that features ready-to-wear products, its iconic knitwear pieces and accessories, including the herobag "Cecile Deux". The collection has a feminine romantic and elegant feeling. My Twin line is more street and urban oriented, targeting the active and contemporary woman. SCEE is a line of traditional and comfortable apparel products. U&B world is dedicated to Beachwear, Lingerie and Active lines. For kids, we present and produce Twinset Girl.

TWINSET has its headquarters in Carpi (Modena) and, with over 900 employees, is one of the fastest growing womens' clothing companies. The collections are distributed through 81 Boutiques and Outlets, 52 Franchise stores, corners, wholesale distribution channels in Italy, Europe, Russia, Middle East and, starting from SS 17, USA and a dedicated Online sales website.

RECENT DEVELOPMENT

On 14th April 2017 the Company signed an agreement with the minority shareholder Simona Barbieri under which the Company purchased from the latter her entire minority stake of 10% of the Company's share capital by means of a notary deed executed on 2nd May 2017 and the subsequent cancellation of its own shares.
On 21st June 2017 a local subsidiary wholly owned by Twin Set- Simona Barbieri S.p.A., TWINSET USA Inc., has been incorporated to conduct retail operations in the United States of America.

With regards to the subsequent events occurred after the six months period ended 30 June 2017, we highlight that in July 2017, the Group has appointed two new Co-Creative Directors.
In August 2017, we signed a licence agreement for a temporary store in New York.
In August 2017, we agreed to pay an exit fee with the landlord of the Boutique located in Dusseldorf following the process of reduction of the retail operations in Germany started in July 2017. Consequently, key performance indicators "Twinset Revenues", "Like for Like" and "Adjusted EBITDA" have been calculated excluding the six months P&L figures of such Boutique.

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:

- **Twinset Revenue:** includes only revenue relating to apparel, shoes and accessories sales, net of estimated value of returned items. It does not include "Other revenues" concerning sales to third parties of samples, yarns, textiles and other production materials not utilized for internal production.

- **Revenue:** corresponds to the Revenue line of the consolidated income statement.

- **Like for like**: the Retail Like-for-Like performance concerns the percentage change between the reported sales for the period and the corresponding period of the previous year. All sales points open for more than one month in both periods are included. Sales points closed down or closed for restructuring (only for the closure period) are excluded from the comparison. Sales are considered net of returns and discounts.

- **Reported EBITDA:** includes all profit components, excluding amortization and depreciation, impairment of investments, financial income and charges and income taxes.

- **Adjusted EBITDA:** calculated taking our Reported EBITDA and adding back non-recurring items, including write-downs, non-recurring provisions and other non-recurring costs and revenues.

- **Adjusted EBITDA margin:** it is the ratio between Adjusted EBITDA and Twinset Revenue.

- **EBIT:** comprising all profit components, excluding financial income and charges and income taxes.

- **Net Operating Working Capital:** the sum of inventories less obsolescence provisions, trade receivables less doubtful debt provision and client's returns provision, net of trade payables and advances from clients.

- **Net Financial Indebtedness**: includes cash and cash equivalents, net of bank payables for current account overdrafts, the Bond, loans, accrued interest for the period and the Fair Value of derivatives undertaken to hedge interest rate and exchange rate risk.

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 other such groups.

Like-for-like revenue performance of our retail Boutiques and Outlets

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 at our point of sale locations and seasonality.

In the last six months our like-for-like performance is positive, which is the result of the good performance of Boutique and Outlet located abroad and in the main cities like Milan and Florence, partially offset by the slow performance of the Italian small-town Boutiques.

The table below sets forth our like-for-like revenue performance for the years and period indicated.

Like-for-like revenue performance	For the year ended December 31,					For the six months ended June 30,
(% increase over prior period)	2012 [(1)]	2013	2014	2015	2016	2017
Total retail (Boutique and Outlets)	6.5%	7.8%	2.4%	7.1%	(4.2%)	0.6%

(1) The results of operations of Light Force 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 for this extra day not included in the results of operations of Light Force for the period ended December 30, 2012 was Euro 74 thousand.

Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin vary according to the distribution channel through which we sell our merchandise.
Our retail channel has been growing in comparison to our wholesale channel since 2011, although our wholesale channel remains the primary driver of our revenue, accounting for 63.5% and 67.1% of Twinset Revenue for the six months ended June 30, 2017 and 2016, 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.

The following table reconciles Reported EBITDA to Adjusted EBITDA:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Reported EBITDA	**21,674**	**21,774**	**(100)**	**(0.5%)**
Cost relating to reorganization of sales departments	127	0	127	
Other items relating to closing of Dusseldorf store	251	0	249	
Other items	277	782	(603)	
Non recurring accruals	0	150	(150)	
Adjusted EBITDA	**22,329**	**22,706**	**(377)**	**(1.7%)**
Adjusted EBITDA Margin	*18.3%*	*18.4%*		

Adjusted EBITDA amounts to Euro 22.3 million, with a slightly decrease of Euro 0.4 million (-1.7%) if compared to the previous period. In the first half of 2017 the Adjusted EBITDA margin is in line with the previous period.

"Cost relating to reorganization of sales department" includes expenses for the start up of the new sales organization that will be operating starting from 2018.
"Other items relating to closing of Dusseldorf store" includes revenue and costs related to the first six months period of the shop that have been closed in Augusts 2017 following the reduction the retail operations in Germany started in July 2017.
"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, net gain/loss on disposal of assets, gain and losses related prior period and other non recurring personnel costs.

KEY INCOME STATEMENT ITEMS

Below there is a summary description of the key elements of the line items of our income statement under Italian GAAP.
Our income statement is prepared using the "nature of expense" rather than the "cost of sales" method. In the nature of expense method, expenses are classified in the income statement according to their nature (for example, cost of materials and personnel expenses) and not among various departments within the entity. As a result, income statements presented in accordance with the nature of expense method do not show gross profit. Income statements presented in accordance with the cost of sales method, by contrast, classify expenses according to their function as part of the cost of sales (for

example the costs of distribution or administrative activities). Net profit, however, is unaffected regardless of whether the nature of expense or cost of sales method chosen.

Revenue

Revenue is calculated by adding gross sales from customers minus discounts, rebates and realized customer returns. Revenue includes Twinset Revenue and other revenue. Twinset Revenue is revenue from our consolidated financial statements including estimated value of returned items and excluding other revenue arising from non-core businesses. Other revenue in 2017 and 2016 relates primarily to our sales of raw materials and samples to third parties, not used for internal production.

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 under a different line item than "purchase of raw materials, goods and changes in inventory". To provide a better understanding of our product costs, for each year 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, administrative, travelling expenses, insurance 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 year of its estimated useful life (up to a maximum of 20 years). This differs significantly from the treatment under IFRS, where goodwill would not be amortized, but instead be reviewed for impairment annually.

Write-downs of trade receivables

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

Provisions

Provisions include provisions for risks and returns.

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 paid on loans, on the bond and interests matured on the Shareholders' loan.
Exchange gains and/or losses mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions.

RESULTS OF OPERATIONS

Six months ended June 30, 2017 of Twinset compared to the six months ended June 30, 2016 of Twinset

The following table sets forth the financial information of Twinset for the six months ended June 30, 2017 compared to the financial information of Twinset for the six months ended June 30, 2016.

€/000	Six months ended June 30,	% of revenue	Six months ended June 30,	% of revenue	Change	% Change
Consolidated Income Statement	2017		2016			
Revenue	123,132	*100.0%*	124,667	*100.0%*	(1,535)	*(1.2%)*
Other income and internally generated assets	1,745	*1.4%*	952	*0.8%*	793	*83%*
Change in work in progress, semifinished and finished product inventories	(176)	*(0.1%)*	(5,060)	*(4.1%)*	4,884	*(97%)*
Purchase of raw materials, goods and changes in inventory	(41,684)	*(33.9%)*	(39,422)	*(31.6%)*	(2,262)	*5.7%*
Cost of services	(32,301)	*(26.2%)*	(30,954)	*(24.8%)*	(1,347)	*4.4%*
Rent	(10,673)	*(8.7%)*	(9,319)	*(7.5%)*	(1,354)	*14.5%*
Personnel costs	(16,791)	*(13.6%)*	(16,140)	*(12.9%)*	(651)	*4.0%*
Write-downs of trade receivables	(840)	*(0.7%)*	(1,681)	*(1.3%)*	841	*(50.0%)*
Provisions	(40)	*(0.0%)*	(119)	*(0.1%)*	79	*(66.4%)*
Other operating costs	(698)	*(0.6%)*	(1,150)	*(0.9%)*	452	*(39.3%)*
Reported EBITDA	**21,674**	***17.6%***	**21,774**	***17.5%***	**(100)**	***(0.5%)***
Depreciation and Amortization	(11,521)	*(9.4%)*	(11,273)	*(9.0%)*	(248)	*2.2%*
Operating profit	**10,153**	***8.2%***	**10,501**	***8.4%***	**(348)**	***(3.3%)***
Financial income/(expenses)	(7,806)	*(6.3%)*	(7,301)	*(5.9%)*	(505)	*6.9%*
Profit/(loss) before tax	**2,347**	***1.9%***	**3,200**	***2.6%***	**(853)**	***(26.7%)***
Income tax	(3,787)	*(3.1%)*	(4,205)	*(3.4%)*	418	*(9.9%)*
Profit/(loss) for the period	**(1,440)**	***(1.2%)***	**(1,005)**	***(0.8%)***	**(435)**	***43.3%***

The following table sets the reconciliation between Twinset Revenue and Revenue:

Reconciliation Twinset Revenue vs Revenue	Six months ended June 30,	Six months ended June 30,
(€/000)	2017	2016
Revenue	**123,132**	**124,667**
Other revenues (*)	(1,219)	(1,438)
Twinset Revenue	**121,913**	**123,229**

(*) Other revenues relates primarily to sales to third parties of samples, yarns, textiles and other production materials not utilized for internal production, gain from disposal of fixed assets, and the Dusseldorf revenues

From this point on, comments will refer only to Twinset Revenue.

Twinset Revenue. Twinset Revenue decreased by Euro 1.3 million, or 1.1%, to Euro 121.9 million for the six months ended June 30, 2017 from Euro 123.2 million for the six months ended June 30, 2016.

The Twinset Revenue decreased as a result of a slow down in the Wholesale channel partially compensated by the positive contribution of the Retail channel (+9.9%).

The following table sets forth the breakdown of Twinset Revenue by distribution channel for the six months ended June 30, 2017 and 2016.

Breakdown of revenue by distribution channel	Six months ended June 30,	% of Twin Set Revenue	Six months ended June 30,	% of Twin Set Revenue	Change	% Change
(€/000)	2017		2016			
Wholesale	77,419	63.5%	82,743	67.1%	(5,324)	(6.4%)
Retail (including on line)	44,494	36.5%	40,486	32.9%	4,008	9.9%
Twin Set Revenue	**121,913**	**100%**	**123,229**	**100%**	**(1,316)**	**(1.1%)**

Wholesale

The performance of Wholesale channel is slightly negative (-6.4%) compare to the previous period, mainly as a result of a reduction in Stocks sales and shrinking contribution from the domestic markets, where consumption continues to suffer especially in small and non-touristic cities; in any case Twinset trend is in line with the industry. Wholesale sales in international markets show an increase compared to the previous period (+2.3%).
The Franchising channel sales increased by 46.3% reaching Euro 4.9 million (Euro 3.3 million for the six months ended June 30, 2016).

Retail (including Online)

Retail channel now counts for 36.5% (32.9% in the first half of 2016) of total revenue for the six months ended June 30, 2017 (+3.6 p.p.) confirming the Twinset retail strategy expansion and the increase *brand awareness*.
Retail channel sales increased by Euro 4.0 million (+9.9%). This increase is principally due to the good performance of the abroad Boutiques and Outlets like for like and the new openings.

The online shop channel reported a positive performance with revenues of Euro 4.0 million for the six months ended June 30, 2017, increasing Euro 0.3 million (up 6.6%) from the same period of 2016. The increase is due to the rise in number of website's visits as well as number of users.

The table below sets forth the retail points of sale by geographic area for the period:

Retail points of sales	As of June 30, 2017		As of June 30, 2016	
	Boutique	Outlet	Boutique	Outlet
Italy	37 (1)	18	31 (1)	15 (1)
Outside of Italy	22	4	21	4
Total retail point of sale	**59**	**22**	**52**	**19**
	81		**71**	

(1) Numbers are net of the store closings that occurred in the period (two Outlet and two Boutique between July 2016 and June 2017).

During the period under review, our retail points of sale network expanded from 71 retail points of sale as of June 30, 2016 (52 Boutiques and 19 Outlets) to 81 retail points of sale as of June 30, 2017 (59 Boutiques and 22 Outlets).

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

Retail points of sales openings	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Boutique	Outlet	Boutique	Outlet
Italy	3 (1)	1	- (1)	1
Outside of Italy	(1)	-	2	1
Total retail point of sale	**2**	**1**	**2**	**2**
	3		**4**	

(1) Numbers are net of the store closings that occurred in the period (one Boutique in 2017 and two in 2016).

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

Breakdown of retail revenue by sub-channel (€/000)	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2017	2016		
Boutique	29,007	26,598	2,409	9.1%
Outlet	11,470	10,118	1,352	13.4%
Online	4,017	3,770	247	6.6%
Retail Revenue	**44,494**	**40,486**	**4,008**	**9.9%**

During the period under review, Retail channel sales increased in all sub-channels Boutique, Outlet and Online. Boutique sales in fact rose Euro 2.4 million (+9.1%) mainly due to the new openings and like for like positive performance. Outlet sales increased Euro 1.4 million (+13.4%) mainly due to the new openings and like for like positive performance. The Online Shop sales show an increase in revenues of 6.6% to Euro 4.0 million, thanks to the reasons mentioned before.

The following table sets forth the breakdown of Twinset Revenue by geography for the periods ended June 30, 2017 and June 30, 2016:

Breakdown of revenue by geography (€/000)	For the six months ended June 30,	For the six months ended June 30,	Change	% Change
	2017	2016		
Italy	72,101	75,488	(3,387)	(4.5%)
Benelux	7,584	8,473	(889)	(10.5%)
Spain	8,994	10,335	(1,341)	(13.0%)
France	5,114	5,722	(608)	(10.6%)
Greater Russia	10,429	7,635	2,794	36.6%
Germany	4,200	4,710	(510)	(10.8%)
Other countries	13,491	10,866	2,625	24.2%
Twin Set Revenue	**121,913**	**123,229**	**(1,316)**	**(1.1%)**

Italy.
Italian sales decreased by Euro 3.4 million, or 4.5%, to Euro 72.1 million for the six months ended June 30, 2017, from Euro 75.5 million for the six months ended June 30, 2016. The result is due to the positive contribution of Retail channel offset by a slow down in the Wholesale channel (also due to the reduction in stock sales) and the persistent low consumption attitude.

International.
Compared to 2016, revenue generated outside of Italy increased by 4.3% (Euro 2.1 million).
This result is principally due to the improvement of Franchising, the good performance of Retail sales and the increase in Online sales that contributed to the international expansion. Also the Wholesale sales show an increase compared to the previous period.

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Raw materials, supplementary materials, consumables and goods	42,301	38,766	3,535	9.1%
Change in inventories of raw materials, supplementary materials, consumables and goods	(617)	656	(1,273)	>(100%)
Purchase of raw materials, goods and changes in inventory	**41,684**	**39,422**	**2,262**	**5.7%**
Change in work in progress, semi-finished and finished product inventories	176	5,060	(4,884)	(96.5%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**41,860**	**44,482**	**(2,622)**	**(5.9%)**
% of Twin Set Revenue	*34.3%*	*36.1%*		

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories decreased by Euro 2.6 million, or 5.9%, to Euro 41.9 million for the six months ended June 30, 2017 from Euro 44.5 million for the six months ended June 30, 2016. As a percentage of Twinset Revenue, this line item decreased by 34.3%, confirming the results of the supply chain policies. The decrease compare to the half year 2016 is mainly due to the change in sales mix with an increase in Retail and Online sales and a decrease in Stock sales.

Cost of services. Cost of services increased by Euro 1.3 million, or 4.4%, to Euro 32.3 million for the period ended June 30, 2017, from Euro 31.0 million in the same period of 2016. As a percentage of Twinset Revenue, cost of services increased by 1.4 p.p., to 26.5% for the six months ended June 30, 2017 from 25.1% for the six months ended June 30, 2016.

The table below sets forth the breakdown of costs of services for the six months ended June 30, 2017 and 2016:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Agent commissions	6,300	6,870	(570)	(8.3%)
Marketing and advertising	5,874	5,346	528	9.9%
External works	4,365	4,783	(418)	(8.7%)
Logistics and transport	7,028	5,498	1,530	27.8%
Administrative	2,858	3,027	(169)	(5.6%)
Travelling expenses	781	687	94	13.7%
Insurance	556	564	(8)	(1.4%)
Other service costs	4,539	4,179	360	8.6%
Total cost of services	**32,301**	**30,954**	**1,347**	**4.4%**
% of Twin Set Revenue	*26.5%*	*25.1%*		

"Agents commissions" decreased from Euro 6.9 million for the six months ended June 30, 2016 to Euro 6.3 million for the six months ended June 30, 2017 with a reduction of 8.3%. This is in line with the decrease of sales in the Wholesale channel.

"Marketing and advertising" expenses, amounting to Euro 5.9 million, rising 9.9% following the stepping up of marketing and communication investments for supporting the visibility and brand awareness both in Italy and overseas. The amount principally includes costs for the purchase of advertising pages, billboards, catalogues and pockets, photography shoots, public relations, franchising, consultancy and other advertising expenses.

The "External works", amounting to Euro 4.4 million, decrease by 0.4 million, or 8.7%, as a consequence of the reorganization of the supply chain.

The increase of "Logistic and Transport" expenses (from Euro 5.5 million at June 30, 2016 to Euro 7.0 million at June 30, 2017) is due to the different channel mix and the activation of some new services to support mainly the retail channel.

"Administrative" expenses, amounting to Euro 2.9 million, are in line with the previous period. The amount mainly includes costs for legal and notary expenses, administrative and commercial consultancies and the remuneration of directors, statutory auditors and the audit firm.

"Other service costs" amounts to Euro 4.5 million and principally comprises utilities (Euro 0.9 million), banking expenses (Euro 0.8 million), quality control costs (Euro 0.3 million), condominium expenses related to stores and showrooms and cleaning expenses (totaling Euro 0.6 million), maintenance costs (Euro 0.4 million), employee canteen expenses (Euro 0.3 million), training courses and hiring costs (Euro 0.2 million).

Rent. Rent increased by Euro 1.4 million, or 14.5%, to Euro 10.7 million for the period ended June 30, 2017 from Euro 9.3 million for the same period of 2016.

The increase in "Rent expenses for shop, outlet and showrooms" relates to the 10 new openings of Boutiques and Outlets occurred in the past 12 months - net of the closing of four stores that incurred in the period under review.
"Rent expenses for headquarters" amounts to Euro 0.8 million (Euro 0.5 million in 2016) and relates to administrative offices and production site rental of the Parent Company (Euro 0.6 million) and of the subsidiaries Twin Set Shoes (Euro 0.1 million) and Twin Set East (Euro 0.1 million). The increase mainly refers to the new Headquarter in Carpi and to the new office in Milan.
"Other rent expenses" of Euro 0.3 million includes hire costs, principally motor vehicles.

The table below sets forth the breakdown of rent for the six months ended June 30, 2017 and 2016:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Rent expenses for shop, outlet and showrooms	9,529	8,456	1,073	12.7%
Rent expenses for headquarters	813	543	270	49.7%
Other rent expenses	331	320	11	3.4%
Total rent	**10,673**	**9,319**	**1,354**	**14.5%**
% of Twin Set Revenue	*8.8%*	*7.6%*		

Personnel costs. Personnel costs increased by Euro 0.7 million, or 4.0%, to Euro 16.8 million in the six months of 2017 from Euro 16.1 million in the six months of 2016. As a percentage of Twinset Revenue, personnel costs increased by 0.7 p.p. to 13.8% for the six months ended June 30, 2017 from 13.1% for the six months ended June 31, 2016. The increase mainly relates to the increase in the number of employees principally for the store personnel of new openings.

The table below sets forth the breakdown of personnel costs for the six months ended June 30, 2017 and 2016.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Wages and salaries	12,846	12,207	639	5.2%
Social security contribution	3,241	3,258	(17)	(0.5%)
Employee severance indemnities	696	675	21	3.1%
Other personnel costs	8	-	8	100%
Total personnel costs	**16,791**	**16,140**	**651**	**4.0%**
% of Twin Set Revenue	*13.8%*	*13.1%*		

The following table shows the breakdown of employees by category and location for the six months ended June 30, 2017 and 2016:

	As of June 30, 2017		As of June 30, 2016		Change	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	10	-	7	1	3	(1)
Managers	17	2	17	3	-	(1)
Clerical/administrative staff	293	7	261	7	32	-
Workers	34	3	53	3	(19)	-
Retail staff	375	170	340	172	35	(2)
Total employees number	**729**	**182**	**678**	**186**	**51**	**(4)**
Combined total employees (Italy and abroad)	**911**		**864**		**47**	

Amortization and depreciation. Amortization and depreciation are in line with the previous period and amount to Euro 11.5 million for the six months ended June 30, 2017.

The table below sets forth the breakdown of depreciation and amortization for the six months ended June 30, 2017 and 2016.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Amortization of intangible fixed assets	10,081	10,086	(5)	(0.0%)
Depreciation of tangible fixed assets	1,440	1,187	253	21.3%
Total amortisation and depreciation	**11,521**	**11,273**	**248**	**2.2%**
% of Twin Set Revenue	*9.5%*	*9.1%*		

Operating profit. Operating profit slightly decreased by Euro 0.3 million, to Euro 10.2 million for the six months eneded June 30, 2017 from Euro 10.5 million for the six months eneded June 30, 2016. As a percentage of Twinset Revenue, operating profit decreased by 0.2 p.p. to 8.3% in 2017 from 8.5% of the same period in 2016 principally due to the increasing incidence of depreciation and amortization costs.

Financial income/(expenses). Financial expenses increased by Euro 0.5 million to Euro 7.8 million for the six months eneded June 30, 2017 from Euro 7.3 million for the six months of 2016 mainly due to the negative impact of the foreing exchange fluctuation.

Other Financial income refers to interest matured on current accounts. Interest and other financial expenses principally includes interests accrued on the Bond Loan for Euro 4.8 million and interests accrued on the Shareholder loan for Euro 2.7 million.

The table below sets forth the breakdown of financial expenses for the six months ended June 30, 2017 and 2016.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Other financial income	37	14	23	>100%
Interest and other financial expenses	(7,780)	(7,613)	(167)	2.2%
Foreign exchange gains/(losses)	(63)	298	(361)	>(100%)
Total financial income/(expenses)	**(7,806)**	**(7,301)**	**(505)**	**6.9%**
% of Twin Set Revenue	*(6.4%)*	*(5.9%)*		

Income tax. Income tax decreased by Euro 0.4 million to Euro 3.8 million for the period 2017 from Euro 4.2 million for the period 2016.

Result for the period. The result for the period is Euro -1.4 million for the six months ended June 30, 2017 compared to a result of Euro -1.0 million for the six months ended June 30, 2016 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements consist mainly of the following:

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

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

- cash generated from our operating activities;
- uncommitted bilateral credit lines, invoice discounting and reverse factoring; and
- the proceeds of the issuance of the Euro 150 million Senior Secured Floating Rate Notes (the “Notes”) and bank loans and shareholders loan.

As of June 30, 2017, our net financial indebtedness amounted to Euro 96.1 million compared to Euro 89.6 million as of December 31, 2016. As of June 30, 2017, we had cash and cash equivalents of Euro 59.1 million compared to Euro 62.2 million as of December 31, 2016.

CASH FLOW

The table below summarizes the consolidated cash flow of Twinset for the periods indicated:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Total net cash at the beginning of the period	**62,170**	**39,039**	**23,131**	**59.3%**
Cash flow provided by/(used in) operating activities	19,172	28,162	(8,990)	(31.9%)
Cash flow provided by/(used in) investing activities	(7,301)	(3,668)	(3,633)	99.0%
Cash flow provided by/(used in) financing activities	(14,911)	(5,238)	(9,673)	>100%
Cash flow from the period	**(3,040)**	**19,256**	**(22,296)**	**>(100%)**
Total net cash at the end of the period	**59,130**	**58,295**	**835**	**1.4%**

The cash flow absorbed in the first half of 2017 amounts to Euro 3.0 million and it was used among other to finance the development of the Retail channel, for investments in weaving machineries to increase onshore production, new investments in IT technology, for paying the coupon of the bond and to acquire 10% equity stake from minority shareholder Miss Simona Barbieri. This latters effect the cash flow absorbed from the financial activities.
Cash flow from operating activities before change in net working capital was higher compare with last year for Euro 1.3 million, although the net cash flow from operating activities, was effected by the swing in the change in the net working capital for Euro 10.3 million mainly related to exceptional cash generated last year from inventory thanks to higher off season sales.

CAPITAL EXPENDITURE

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

€/000	For the six months ended June 30, 2017	For the six months ended June 30, 2016	Change	% Change
Expansion	1,826	1,425	401	28.1%
Maintenance	1,035	444	591	>100%
Headquarters	5,051	1,736	3,315	>100%
Total capital expenditures [1]	**7,912**	**3,605**	**4,307**	**>100%**

(1) The amounts are net of the exchange rate effect on investments made by TS East (Euro -53 thousand on June 2017 and Euro 151 thousand on June 2016)

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

- **Expansion:** includes the Key Money, goodwill and restructuring charges paid following the opening of new stores.

- **Maintenance:** principally includes expenses for operating software development, for the restructuring/maintenance of existing stores and for the technology update.

- **Headquarter:** mainly includes capital expenditure related to the relocation of the Weaving Factory and to the purchase of new production machineries in order to improve knitwear production both in terms of time and quality (Euro 2.1 million), project-related IT investments (Euro 1.9 million), investments for new Factory Outlet (Euro 0.3 million) and non-recurring investments.

OPERATING WORKING CAPITAL

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

	As of and for the six months ended Jun 30, 2017	As of December 31, 2016	Change	% Change
Inventory	54,043	53,061	982	1.9%
Trade Receivables	32,947	35,704	(2,757)	(7.7%)
Trade Payables	(45,919)	(48,699)	2,780	(5.7%)
Operating Working Capital	**41,071**	**40,066**	**1,005**	**2.5%**

Operating Working Capital (which represents the Net Working Capital gross of other current assets and liabilities) increased by Euro 1.0 million at June 30, 2017. Inventories, net of the relative obsolescence provision, increased by 1.9%, in line with our business activities.

Trade receivables decreased by Euro 2.8 million; the gross value of receivables decreased from Euro 46.1 million to Euro 43.5 million due to higher incidence of foreign trade receivables which have a lower days sales outstanding compare to domestic trade receivables and an overall focus on credit management.

The doubtful debt provision increased from Euro 6.1 million to Euro 6.7 million, accrued to reflect prudential management approach considering theeconomic environment that it is still in contraction.

Trade payables decreased by Euro 2.8 million mainly due to the seasonal purchase trend.

NET FINANCIAL INDEBTEDNESS

The following table sets forth our net financial indebtedness as of December 31, 2017 and as of June 30, 2016:

Net financial indebtedness (€/000)	As of June 30, 2017	As of December 31, 2016	Change	% Change
Cash and cash equivalents	59,130	62,170	(3,040)	(4.9%)
Bank overdrafts	(4)	(7)	3	(42.9%)
Total net cash	**59,126**	**62,163**	**(3,037)**	**(4.9%)**
Bank loans-current portion [(1)]	(5,297)	(1,721)	(3,576)	>100%
Bank loans	**(5,297)**	**(1,721)**	**(3,576)**	**>100%**
Bond	**(150,000)**	**(150,000)**	**-**	**-**
Net financial indebtedness [(2)]	**(96,171)**	**(89,558)**	**(6,613)**	**7.4%**
of which:				
Net financial indebtedness-current portion	*53,829*	*60,442*	*(6,613)*	(10.9%)
Net financial indebtedness-non-current portion	*(150,000)*	*(150,000)*	-	-
Shareholder loan	**(83,267)**	**(80,519)**	**(2,748)**	**3.4%**

(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.

The net financial indebtedness as of June 30, 2017 totals Euro 96.2 million and consists of net cash of Euro 59.1 million and financial debts of Euro 155.3 million.

The net financial indebtedness increase of Euro 6.6 million mainly for the cash flow absotion for the period related to the purchasing of the remaining 10% equity stake from minority shareholder Miss Simona Barbieri.

Financials debts refer to Euro 150 million Bond with maturity on July 15, 2019, accrued interest on the Coupon, residual bank loans and fair value of hedging instruments.
Shareholder Loan with maturity on July 25, 2020, on which interest matures at 7% annually, amounted to Euro 83.3 million as of June 30, 2017, including interest matured in the current year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding as of June 30, 2017, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for Boutiques/Outlets, Showrooms and other buildings. These maturities may differ significantly from the actual maturity of the obligations.

€ in millions	Expected cash payments falling due in the years ending December 31,			
	2017	2018-2021	2022 and thereafter	Total
Notes offered hereby	-	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets (1) (2)	8.7	50.8	24.0	83.5
Rent and operating leases commitments for Showroom (1)	0.2	1.7	0.08	2.0
Rent and operating leases commitments for Civil and Industrial Buildings (1)	0.6	4.2	3.5	8.3
Rent and operating leases commitments related to TS Shoes (1)	0.06	0.01	-	0.1
Total	**9.6**	**206.7**	**27.6**	**243.9**

(1) Future rental and operating lease commitments do not include inflation rate adjustments, variable rent and any renewal options.
(2) Future rental and operating lease commitments for Boutique and Outlets without considering Boutique located in Dusseldorf.

The following table summarizes the commitments related to guarantees provided by credit institutions on behalf of the group in connection with contractual obligations undertaken on the signing of rental contracts.

€ in millions	As of June 30, 2017	As of June 30, 2016	Change	% Change
DOS and Outlet rental guarantees	6.7	6.3	0.4	6.3%

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.

Currency-related risk

The Euro is the functional currency used for the consolidated financial statements; however, the Twin Set group carries out operations in currencies other than the Euro, principally for the procurement of products from China and India, denominated in US Dollars, with an exposure therefore to currency risk. In order to mitigate the risk from currency rate fluctuation, the Group has put in place Flexible Forward derivative finance operations. As of June 30, 2017, the amount of derivatives in place totaled USD 78.0 million. Following the establishment of the Twin Set East (Russia), the Group is also exposed to the depreciation of the Ruble arising from loans and intercompany sales in local currency.

Credit risk

Commercial receivable risk is high in the sector, still featuring a high number of clients represented by individual enterprises. This risk is however mitigated by the low concentration of clients and the internal selection procedures, which ensure that sales on the Wholesale channel are made to solvent clients. As a general guideline, the Group undertakes insurance on European Union client sales, while for non-EU clients advanced or guaranteed payment is required.
Payments on the Retail channel are made through cash and credit cards.
Payments on the e-commerce channel are principally made by credit card.
According to Company policy, customers that request extensions of payment are subject to a credit rate check, both using information which may be sourced from specialized agencies and from observation and analysis on existing client data.
Moreover, the collection of receivables is constantly monitored during the year in order to ensure timely action and to reduce the risk of losses. An additional instrument utilized for the management of commercial credit risk is the undertaking of insurance policies with insurance or factoring companies, which guarantee indemnity in the case of insolvency.

Liquidity risk

Liquidity risk relates to possible difficulties in obtaining financial resources at an acceptable cost to conduct normal Group operating activities. The factors which influence liquidity risk concern both resources generated or absorbed by current operations and those generated or absorbed by investment and financing operations. The Group however considers that the current level of debt, the financial resources and the bank credit lines available, enable a limitation of the impacts from any difficulty in accessing credit. The maturities of financial receivables are such as to allow their realization quickly and without significant problems; it is considered therefore that the Group does not have difficulty in meeting its commitments on financial liabilities.

Interest rate risk

The Group is exposed to the risk of interest rate movements as it has loans in place indexed to the Euribor. In particular, the increased exposure is due to interest maturing on the Bond Loan, with payment of quarterly Coupons indexed to the EURIBOR at 3 months plus a spread. In partial coverage of the interest rate risk, an Interest Rate Swap was undertaken covering 67% of the nominal value of the Bond.

TWIN SET – SIMONA BARBIERI S.p.A.

Interim Consolidated Financial Statements as of and for the six months ended June 30, 2017

CONSOLIDATED BALANCE SHEET

€/000	As of June 30, 2017	As of December 31, 2016
Assets		
Intangible assets	221,718	228,804
of which goodwill	*166,146*	*172,324*
Property, plant and equipment	13,425	11,525
Other financial assets	1,044	1,256
Total intangible assets, PP&E and other financial assets	**236,186**	**241,585**
Inventories	54,043	53,061
Trade receivables	36,803	40,080
Tax receivables	1,635	4,272
Deferred tax assets	8,641	8,143
Other receivables	2,153	459
Financial derivative instruments	-	2,286
Cash and cash equivalents	59,130	62,170
Total current assets	**162,404**	**170,471**
Other accrued income and prepaid expenses	2,424	2,438
Total accrued income and prepaid expenses	**2,424**	**2,438**
Total assets	**401,014**	**414,494**

€/000	As of June 30, 2017	As of December 31, 2016
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	120,676	134,271
Retained earnings	(28,910)	(25,180)
Profit/(loss) for the period	(1,631)	(3,744)
Total Group Shareholders' equity	**90,657**	**105,868**
Equity attributable to non-controlling interests	560	369
Total Shareholders' equity	**91,217**	**106,237**
Liabilities		
Provisions for risks and charges	8,846	9,293
Financial derivative instruments	3,593	2,172
Deferred tax liabilities	5,937	6,112
Provisions for employee severance indemnities	524	572
Bonds	150,000	150,000
Shareholder loan	83,267	80,519
Bank loans	4	85
Client advances	2,146	1,927
Trade payables	46,004	48,812
Tax payables	3,351	1,508
Social security payables	912	1,243
Other payables	3,461	4,203
Accrued expenses and deferred income	1,752	1,811
Total liabilities	**309,797**	**308,257**
Total liabilities and shareholders' equity	**401,014**	**414,494**

CONSOLIDATED INCOME STATEMENT

€/000	Six months ended June 30,	Six months ended June 30,
Consolidated Income Statement	**2017**	**2016**
Revenue	123,132	124,667
Other income and internally generated assets	1,745	952
Change in work in progress, semifinished and finished product inventories	(176)	(5,060)
Total revenue and income	**124,701**	**120,559**
Purchase of raw materials, goods and changes in inventory	(41,684)	(39,422)
Cost of services	(32,301)	(30,954)
Rent	(10,673)	(9,319)
Personnel costs	(16,791)	(16,140)
Depreciation and Amortization	(11,521)	(11,273)
Write-downs of trade receivables	(840)	(1,681)
Provisions	(40)	(119)
Other operating costs	(698)	(1,150)
Total operating costs	**(114,548)**	**(110,058)**
Operating profit	**10,153**	**10,501**
Financial income/(expenses)	(7,806)	(7,301)
Profit/(loss) before tax	**2,347**	**3,200**
Income tax	(3,787)	(4,205)
Profit/(loss) for the period	**(1,440)**	**(1,005)**
Attributable to the Group	*(1,631)*	*(1,298)*
Attributable to non-controlling interests	*191*	*293*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€/000)	Share capital	Share premium Reserve	Legal Reserve	Exchange Reserve	Fair Value Reserve	Translation Reserve	Extraordinary Reserve	Retained earnings/(losses) Twin Set SPA	Retained earnings/(losses) OTHERS	Profit/(loss) for the year	Total
As of December 31, 2015	**522**	**133,840**	**104**	**95**	**(1,494)**	**329**		**(7,197)**	**(6,937)**	**(10,641)**	**108,623**
Allocation of 2015 result [(1)]	-	-	-	-	-	-		(11,509)	869	10,641	-
Result for the year 2016	-	-	-	-	-	-		-	-	(3,744)	(3,744)
Change to translation reserve	-	-	-	-	-	(213)		-	-	-	(213)
Change to consolidation reserve	-	-	-	-	-	-		-	(406)	-	(406)
Change in Fair Value	-	-	-	-	1,609	-		-	-	-	1,609
As of December 31, 2016	**522**	**133,840**	**104**	**95**	**115**	**116**		**(18,706)**	**(6,474)**	**(3,744)**	**105,868**
Allocation of 2016 result [(2)]	-	-	-	-	-	-	-	(8,619)	4,875	3,744	-
Result for the period	-	-	-	-	-	-	-	-	-	(1,631)	(1,631)
Change to translation reserve	-	-	-	-	-	56	-	-	-	-	56
Change to consolidation reserve	-	-	-	-	-	-	-	-	-	-	0
Change in Fair Value of financial derivative instruments	-	-	-	-	(3,707)	-	-	-	-	-	(3,707)
Change to extraordinary reserve	-	-	-	(95)			95	-	-	-	-
Other changes in net equity	-	(9,929)	-	-	-	-	-	-	-	-	(9,929)
As of June 30, 2017	**522**	**123,911**	**104**	**-**	**(3,592)**	**172**	**95**	**(27,325)**	**(1,599)**	**(1,631)**	**90,657**
Total Group Shareholders' equity											**90,657**
- Capital and reserves attributable to non-controlling interests											369
- Result for the year attributable to non-controlling interests											191
Total equity attributable to non-controlling interests											**560**
Total Shareholders' equity											**91,217**

(1) Approved by the Board of Directors on April 29, 2016

(2) Approved by the Board of Directors on April 20, 2017

CONSOLIDATED CASH FLOW STATEMENT

€/000	30/06/2017	30/06/2016
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**62,170**	**39,039**
Net cash flow from operating activities		
Profit/(loss) for the period	**(1,440)**	**(1,005)**
Income taxes	3,787	4,205
Amortization	10,081	10,086
Depreciation	1,439	1,187
Financial interest/(income)	7,743	7,599
Gains/losses of disposal	(633)	(48)
Loss on Tessitura Sidoti sale	-	516
Change in bad debt provision	625	1,102
Change in slow moving provision	2,462	(2,306)
Change in provision for risks and charges	(447)	868
Change in employee severance indemities	(47)	29
Cash flow from operating activities before changes in net working capital	**23,570**	**22,233**
Change in inventories	(3,389)	7,916
Change in trade receivables	2,652	(5,312)
Change in trade Payables	(2,808)	1,243
Change in client advance	219	584
Change in other payables/receivables	(1,018)	1,529
Change in suppliers advance	27	(16)
Change in net working capital	**(4,317)**	**5,944**
Income taxes paid	(81)	(15)
NET CASH FLOW FROM OPERATING ACTIVITIES	**19,172**	**28,162**
Net cash flow from investing activities		
Investment in intangible assets	(4,089)	(1,970)
Investments in property, plant and equipment	(3,770)	(1,786)
Disposal of assets	557	87
Consideration received for business combination	-	1
NET CASH FLOW FROM INVESTING ACTIVITIES	**(7,301)**	**(3,668)**
Net cash flow from financing activities		
Repayment of loans	(78)	(362)
Other changes in net equity	(9,929)	-
Net financial interest paid	(4,901)	(4,958)
Bank overdraft	(3)	82
NET CASH FLOW FROM FINANCING ACTIVITIES	**(14,911)**	**(5,238)**
NET CASH FLOW FOR THE PERIOD	**(3,040)**	**19,256**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**59,130**	**58,295**

TWIN SET – SIMONA BARBIERI S.p.A.

Explanatory Notes to the Consolidated Financial Statements as of and for the six months ended June 30, 2017

EXPLANATORY NOTES

GENERAL INFORMATION

TWIN SET – Simona Barbieri (the “Parent Company”), and its subsidiaries, TS Shoes, TS Deutschland, TS Belgium, TS Spain, TS France, TS Dutch Holding, TS East and TS USA (together with the Parent Company, the “Group”) operate in the apparel market; in particular the Group designs and produces clothing, accessories and women’s knitwear, marketed under the brands "TWINSET Simona Barbieri".
On 14th April 2017 the Company signed an agreement with the minority shareholder Simona Barbieri under which the Company purchased from the latter her entire minority stake of 10% of the Company’s share capital by means of a notary deed executed on 2nd May 2017 and the subsequent cancellation of its own shares

Regarding the subsequent events occurred after the six months period ended 30 June 2017, we highlight that in July 2017, the Group has appointed a new Co-Creative Director.
In August 2017, Twinset agreed to pay an exit fee with the landlord of the Boutique located in Dusseldorf (Germany) for an amount of Euro 1.6 million following the process of reduction of the retail operations in Germany started in July 2017.

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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

Standards used to prepare the financial statements

The Interim Consolidated Financial Statements have been prepared in accordance with OIC 30 – Interim Financial Statements taking into account the new requirements provided by the Direttiva 2013/34/UE as endorsed by the Legislative Decree n. 139/2015 and by the Italian Civil Code.
In particular, Italian GAAP were reviewed by the OIC in the version issued on December 22, 2016.

The Interim Consolidated Financial Statements should be read in conjunction with the Twin Set – Simona Barbieri annual consolidated financial statements for the year ended December 31, 2016 (the “Twin Set – Simona Barbieri Consolidated Financial Statements at December 31, 2016”), which have been prepared in accordance with General Accepted Accounting Principles in Italy (Italian GAAP).

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

Structure of financial statements and basis of presentation

The Interim Consolidated Financial Statements include the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders’ equity, the consolidated cash flow statement and the explanatory notes.
The consolidated balance sheet presents amounts as of December 31, 2016, while the consolidated income statement presents amounts related to the six months period ended June 30, 2016, for comparative purposes.
All amounts shown in the Interim Consolidated Financial Statements are in thousands of Euro, unless otherwise specified.
The Interim Consolidated Financial Statements were approved by the Company’s Board of Directors on August 29, 2017.

CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Consolidation area and basis of consolidation

Company	Country	Result for the period	Net Equity incl. Result	Period-End	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	186	93,902	30/06/2017			
TS SHOES SRL	Italy	1,125	5,723	30/06/2017	80%	1,477	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(1,063)	1,308	30/06/2017	100%	6,860	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(353)	1,838	30/06/2017	100%	1,044	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(630)	1,059	30/06/2017	100%	2,500	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(366)	1,744	30/06/2017	100%	1,065	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	(31)	1,361	30/06/2017	100%	3,285	Line-by-line
TS SIMONA BARBIERI EAST LLC *	Russia	(406)	(909)	30/06/2017	100%	1,032	Line-by-line
TS USA Inc	USA	-	263	30/06/2017	100%	274	Line-by-line

* Owned by TS Simona Barbieri SpA through TS Dutch Holding BV

The Interim Consolidated Financial Statements of the TWIN SET - Simona Barbieri Group includes the financial statements of the Parent Company TWIN SET – Simona Barbieri S.p.A. 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 year 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.

ACCOUNTING POLICIES

The accounting policies outlined below were adjusted to the amendments, supplements and new provisions introduced to the Civil Code by Legislative Decree 139/2015, which transposed into Italian Law the 34/2013/EC accounting directive. In particular, Italian GAAP were reviewed by the OIC in the version issued on December 22, 2016.

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

Intangible assets

Intangible assets are recorded at purchase or production cost, increased by directly allocated acquisition costs, adjusted by the relative amortisation provision and increased by any monetary revaluations in accordance with law.
Intangible assets are recorded with the approval of the Board of Statutory Auditors in the cases established by law.
Start up and formation expenses are amortised over five years, with straight-line amortisation applied.
Advertising and research costs are entirely recognised to profit and loss in the period in which they incur.

Goodwill includes the amounts paid in this regard in relation to business acquisitions or other corporate operations and are amortised over their useful life. The useful life is estimated starting from the initial recognition of goodwill and is not modified in subsequent years. Where it is not possible to estimate the useful life, goodwill is amortised over a period of 10 years.
In the event that, independently of the amortization already recorded, there is a permanent loss of value, the asset is derecognized; if, in subsequent years, the reasons justifying the write-down cease, the original value is restored, within the limits of the value that the asset would have had without the impairment loss, except for the item "Goodwill" and "Deferred charges" referred to in Art. 2426, N. 5 of the Italian Civil Code.
Start up and formation expenses and development costs (long-term use) are recorded as assets, with the approval of the Board of Statutory Auditors.

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
Brands	18-20 years
Goodwill	10/20 years/duration of underlying contract (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contract (residual mortgage 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 includes also improvement, restoration and modernization expenses. The purchase cost does not include interest on loans for the acquisition of assets.

Ordinary maintenance and repair costs are fully charged to the income statement.

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

The depreciation rates of the tangible fixed assets are calculated based on the estimated useful life of the assets, on the basis of rates considered adequate to represent the usage and/or consumption of the assets and their reduced usage over time.
The depreciation rates utilized for the estimated useful life of the Company assets are as follows:

PROPERTY, PLANT AND EQUIPMENT	Rate %
Light buildings	10%
Plant & machinery	12.5%, duration of underlying contract (residual rental duration)
Industrial & commercial equipment	20%, 25%
EDP	20%, 33.3%
Furniture & fittings	10%, 12%
Transport vehicles	20%
Motor vehicles	25%
Asset lower than Euro 516,46 (for Italy)	100%

For the tangible fixed assets 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 assets with a unitary cost not above Euro 516, for Italy, the depreciation period is considered to be not beyond one year.

Financial assets

The investments in other companies are measured at purchase cost, including any accessory costs, reduced by any permanent loss in value in the case in which the investee incurs losses and profits are not expected in the foreseeable future such as to absorb the losses incurred.
The original amount is reinstated whenever the reasons for the adjustment no longer apply.
Receivables recorded under financial fixed assets are measured at their nominal value, eventually adjusted to match their realizable value.

Current Assets

Inventories

Inventories are measured at the lower of costs incurred and net realizable value. The cost of inventories includes all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. In particular, for products acquired and held for resale and for direct or indirect materials, acquired and utilized in the production cycle, the historical cost adopted is the purchase cost.
For the goods already produced or with production in progress, the historical cost adopted is the production cost. For the determination of the purchase cost, reference is made to the actual cost incurred, including any directly allocated acquisition cost transport and customs expenses, less any commercial discounts. For the determination of the production cost, reference is made to the purchase cost, as previously indicated, plus the production or transformation expenses, therefore direct and indirect costs, for the portion reasonably allocated to the product relating to the production period.
The cost method utilized is the weighted average cost for the period which takes account of the value of the initial inventories.
Where it is no longer possible to estimate the goods at historical cost according with the above criteria, due to lower selling prices, depreciated goods, obsolescence or slow moving, the net realizable value determined by the market performance is applied for finished goods, semi-finished and work in progress. Replacement costs for raw materials are instead used for the ancillary and semi-processed products.

Receivables

Receivables are recognised to the financial statements according to the amortised cost criterion, taking account of their timing and the expected realisable value. The amortised cost criterion is not applied where the effects are insignificant or where the settlement costs, commissions paid between the parties and any other difference between the initial value and the value on maturity is insignificant or where the receivables are short-term (i.e. with maturity of less than 12 months).

Group trade receivables have a duration of less than 12 months and therefore the amortised cost criterion has not been used. Adjustment to the expected realizable value is obtained by adjusting the nominal value of the receivables, taking into account the losses due to ineligibility, yields and billing adjustments, unpaid discounts and rebates and other minor rewards.

The value of receivables, established as above, is adjusted where necessary by a write-down provision, presented as a direct reduction of the value of the receivables to their expected realisable value. The write-down to the financial statements is equal to the difference between the book value and the value of estimated future cash flows, less amounts which are not expected to be received. The write-down is recognised to the income statement.

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value. Cash and cash equivalents in foreign currencies are valued at the year-end exchange rate.

Provisions for risks and charges

Provisions for risks and charges are recorded based on the principles of prudence and accruals and include provisions made to cover losses and debts of a certain nature and of a certain and probable existence, with uncertain amount and occurrence date.
The valuation of risks and charges which are dependent on future events considers also the information available after the period-end and up to the preparation of the present financial statements.
The provisions reflect the best estimate on the basis of available information at the reporting date. Potential liabilities which are only considered possible are described in the notes.

Employee severance indemnities

The employee severance indemnities recorded in the financial statements represent the actual debt of the Company with

its employees at the reporting date, net of any advances to employees and payments 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, Italian legislation.
These liabilities are subject to index-linked revaluation.

Payables

Payables are recognised according to the amortised cost criterion, taking account of their timing. The amortised cost criterion is not applied to payables where the effects are insignificant. Effects are considered insignificant for short-term payables (i.e. with maturity of less than 12 months). For the amortised cost criterion, reference should be made to receivables.

The payables contracted by the company with duration of less than 12 months and before January 1, 2016, both commercial and financial, were recognised at their nominal value.

Accrued income and prepaid expenses

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 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 referring to future periods.

Revenues and Costs

Costs and revenues 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), allowances and bonuses. Related party transactions are carried out at normal market conditions.

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 relation to the assessable income 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 period.

In compliance with the prudence principle, deferred tax liabilities on the suspended taxes reserve are not recorded when there is a limited probability of distributing these reserves to Shareholders and the deferred tax assets are only recorded where there is reasonable certainty of their recovery.
The parent company Twin Set – Simona Barbieri S.p.A. acts as the consolidating company and calculates a single assessable base for the Italian Group companies adhering to the tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration. The company took part in the Twin Set Shoes S.r.l. tax consolidation at December 31, 2016 such consolidation tax will be renewed also for the next three years.
The companies involved in the tax consolidation transfer to the consolidating company its assessable income (assessable income or tax loss); the consolidating company recognises a receivable equal to the IRES to be paid (the consolidated company recognises a payable to the consolidating company).

Derivative instruments

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

Derivative financial instruments are financial assets and liabilities, recognised at fair value.

Derivatives are classified as hedging instruments only when, on the initiation of hedging, a strict and documented correlation exists between the characteristics of the hedged item and those of the hedging instrument, this hedging connection is formally documented and the effect of the hedge, periodically verified, is high.

When the hedged derivatives cover the risk of a change in the fair value of the instruments hedged (**fair value hedge**), these are recorded at fair value through the income statement; therefore, the hedged items are adjusted to reflect the changes in fair value associated with the risk covered.
Where derivatives hedge a risk of changes in future cash flows of the hedged instrument (**cash flow hedge**), the effective portion of profits or losses of the derivative financial instrument are suspended to net equity. The ineffective portion of

the profits and losses associated with a hedge are recognised to the income statement. When the related transaction is realized, the accumulated gains and losses that have been recorded to equity are recognized in the income statement (to adjust or supplement the income statement accounts affected by the hedged cash flows). The Company applies hedge accounting to cover the fluctuation of cash flows due to exchange rates and interest rates.

Therefore, the changes of the relative fair value of derivative hedging financial instruments are recognised to:

- income statement in the case of the hedging of the fair value of an asset or liability recognised to the financial statements and the changes to the fair value of hedged instruments (if the change to the fair value of the hedged item is greater in absolute value terms than the change in the fair value of the hedging instrument, the difference is recognised to the income statement account to which the hedged item relates);
- a separate net equity reserve ("Reserve for future cash flow hedging operations") in the case of the hedging of cash flows in a manner which offsets the effects of the cash flows hedged (the ineffective component, in addition to the change in the time value of options and forwards, is classified to the income statement).

Translation of amounts not denominated in Euro

The current receivables and payables in foreign currencies at the balance sheet date are adjusted to the exchange rate as of June 30, 2017. Gains and losses arising from the translation of the individual current receivables and payables are respectively credited and debited to the income statement as financial items. Any net gain from the translation of the foreign currency amounts, deriving from the valuation at period-end and recorded in the income statement, is recorded in a specific non-distributable reserve until the gain is realized. Revenues and costs are converted at the average exchange rate which approximates the exchange rate at the date of the respective operations.

Use of estimates

The preparation of the current 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 Consolidated Financial Statement date. The estimates and assumptions used are based on past experience and other factors considered relevant. However, actual results could 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 the 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 and goodwill impairment and the valuation of goodwill.

EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

The following tables illustrate the changes in the intangible, tangible and financial fixed assets, and are presented by individual asset category: the purchase or production cost (historical cost), the accumulated amortization and depreciation at the beginning of the year, the acquisitions, the disposals, the amortization and depreciation of the period and the net book value.
At the reporting date, there are no fixed assets whose value is permanently below the net book value.

Intangible assets

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

ACCOUNT	As of December 31, 2016			Changes in the period						As of June 30, 2017		
				Additions	Reclass.	Decreases						
(€/000)	Historical cost	Accumulated amortization	Net book value	2017	2017	Hist. cost	Acc. Amort.	Amortization 2017	Exchange difference	Historical cost	Accumulated amortization	Net book value
Start up and formation expenses	1,319	(1,039)	281	15	-	-	-	(59)	-	1,334	(1,098)	236
Industrial patents and intellectual property rights	9,455	(5,515)	3,940	788	115	-	-	(824)	-	10,358	(6,339)	4,019
Concessions, licenses, trademarks and similar rights	29,517	(6,582)	22,934	99	-	-	-	(797)	-	29,616	(7,379)	22,237
Goodwill	219,298	(46,974)	172,324	-	500	(1,092)	369	(5,955)	-	218,706	(52,560)	166,146
Assets in progress and advances	825	-	825	1,792	(721)	-	-	-	-	1,896	-	1,896
Other intangible assets	47,859	(19,359)	28,500	1,429	106	(739)	367	(2,446)	- 34	48,621	(21,438)	27,184
Total intangible assets	**308,273**	**(79,469)**	**228,804**	**4,123**	**-**	**(1,831)**	**736**	**(10,081)**	**(34)**	**310,531**	**(88,814)**	**221,718**

The Start up and formation expenses, amounting to Euro 236 thousand, include incorporation expenses incurred by the Parent Company and its subsidiaries.

Industrial patents and intellectual property rights include the costs of software licenses for indefinite use, principally held by the Parent Company.
The increases and the reclassifications of the period, totaling Euro 903 thousand, are related to costs incurred by the Parent Company for IT consultancy and in particular: Euro 244 thousand for the consultancy and installation of the Oracle JD Edwards and Hyperion operating system, Euro 186 thousand for the project "*Retail Demand Planning*", Euro 143 thousand for the project "*Business intelligence*", Euro 51 thousand for the implementation of our custom e-commerce platform, Euro 38 thousand for the introduction of the *"PLM"* software, designed for the management of product technical information and Euro 241 thousand for other IT projects, mainly for the implementation of the *MPsoft* operating system, *Ipad Order Collection* and *Ipad in store* project.

"Concessions licenses, trademarks and similar rights" reflects at period-end the net book value of the brand held by the Parent Company – "TWINSET Simona Barbieri", in relation to which the Parent Company made investments – Euro 99 thousand - for maintenance and/or new registrations of existing trademarks in their respective territories.
This account includes also the allocation of the purchase price excess arising from the merger occurred in 2012 of Light Force (hereinafter also "LF") and Fuori dal Sacco 2 S.r.l. for Euro 27,380 thousand ("premium paid") to the main trademark "TWINSET Simona Barbieri", which is amortized on a straight-line basis over twenty years. The merger followed the acquisition made by Fuori dal Sacco 2 S.r.l. (company related to the present shareholder) of LF that following the merger changed its name in Twin Set – Simona Barbieri S.p.A.
Finally, it is recalled that in the financial statements at December 31, 2005, the incorporated LF undertook, on the basis of an expert's opinion, the monetary revaluation of the above-mentioned brand, as permitted by Law 266/05 for Euro 1 million; consequently, in accordance with Article 10 of Law No. 72 of March 19, 1983 and in accordance with subsequent laws on monetary revaluation and for a better understanding of the changes in the cost of this trademark, we summarize the movements below:

€/000	Historical cost	Revaluation L. 266/2005	Cumulative increases	Allocation premium price	Book value as of June 30, 2017
"Twinset - Simona Barbieri" trademark	8	1,000	464	27,380	28,852

On July 22, 2014 the Company signed a Pledge Deed of Intellectual Property Rights pursuant to which the Company granted a pledge on the intellectual property rights relating to the trademark Twinset Simona Barbieri to Secured Creditors as better detailed in the indenture signed on the same date with respect to the issuance of the Senior Secure Notes.
The item includes in addition the know-how as a result of the purchase price allocation occurred with the acquisition of TS Shoes in 2014, which at June 30, 2017 had a residual value of Euro 240 thousand.

Goodwill totals at June 30, 2017 Euro 166,146 thousand and includes for Euro 157,725 thousand the net book value of goodwill resulting from the allocation of the premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years. This also includes costs incurred by the Parent Company (Euro 7,798 thousand) with reference to the commercial goodwill acquired within the Retail development. The residual part concerns the goodwill of the subsidiary TS Shoes (Euro 623 thousand).
The increase in the period of Euro 500 thousand relates to the the goodwill paid for the new Boutique in Venezia. The decrease in the period of Euro 1,092 thousand (historical cost) relates to the disposal of the Boutique in Lyon.

Intangible assets in progress and advances amounting to Euro 1,896 thousand. The increase of the period amounts to Euro 1,792 thousand and comprises assets of the Parent Company and specifically: Euro 1,268 thousand for costs related to IT projects (of which Euro 992 thousand related to new software "*Stealth*"), Euro 263 thousand for costs incurred for the new Forte dei Marmi Boutique, opened in July 2017 and Euro 122 thousand related to the Key Money paid for the acquisition of the Nizza Boutique.

Other intangible assets amount to Euro 27,184 thousand and principally comprise leasehold improvements for a total of Euro 10,005 thousand (of which: Euro 7,072 thousand concerning the Parent Company, Euro 1,303 thousand concerning TS Spain, Euro 567 thousand concerning TS Belgium, Euro 477 thousand concerning TS France and Euro 586 thousand concerning TS East); deferred costs incurred for the acquisition of rental contracts and transaction charges for strategic stores for a total of Euro 14,417 thousand (of which: Euro 7,912 thousand concerning the Parent Company, Euro 2,526 thousand concerning TS Deutschland, Euro 1,670 thousand concerning TS France, Euro 1,288 thousand concerning TS Spain, Euro 920 thousand concerning TS Belgium and Euro 101 thousand concerning TS East) and costs incurred by the Parent Company following the issue of the Bond for Euro 2,524 thousand.
The increases and reclassifications of the period amount to Euro 1,535 thousand of which Euro 785 thousand refer to expenses incurred for the opening of the new stores in Venezia, Como, Bergamo Orio Center, Sanremo and Settimo Torinese and Euro 464 thousand refers to the opening of the in house Weaving Factory and the Factory Outlet at the new Headquarter.
The decrease in the period mainly refers to the sales of the Lyon boutique for an historical cost of Euro 478 thousand.

Property, plant and equipment

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

ACCOUNT	As of December 31, 2016			Changes in the period					As of June 30, 2017			
				Additions	Reclass.	Decreases						
(€/000)	Historical cost	Accumulated depreciation	Net book value	2017	2017	Hist. cost	Acc. deprec.	Depreciation 2017	Exchange difference	Historical cost	Accumulated depreciation	Net book value
Land and buildings	21	(7)	14	-	-	-	-	(1)	-	21	(8)	13
Plant and machinery	14,653	(8,987)	5,666	2,538	-	(3,623)	3,419	(554)	-	13,568	(6,122)	7,446
Industrial and commercial equipment	1,645	(1,388)	257	377	-	(216)	177	(143)	-	1,805	(1,354)	451
Other tangible assets	12,750	(7,192)	5,558	848	-	(1,124)	935	(741)	(19)	12,455	(6,998)	5,458
Construction in progress and advances	31	-	31	26	-	-	-	-	-	57	-	57
Total property, plant and equipment	**29,100**	**(17,574)**	**11,526**	**3,789**	**-**	**(4,963)**	**4,531**	**(1,439)**	**(19)**	**27,906**	**(14,482)**	**13,425**

Land and buildings, amounting to Euro 13 thousand, refer to light constructions.

Plant and machinery include specific and general plant, installed at the premises, factories and warehouses, as well as at the stores and outlets, and machinery for weaving and for garments and footwear production.
The increases in the period, totaling Euro 2,538 thousand, concerns principally investments by the Parent Company (Euro 2,481 thousand) for the electric installation, lighting and video-surveillance plant at the new Factory Outlet, in the new Weaving Factory and at the new point of sales in Venezia, Settimo Torinese and Como. Euro 1,230 thousand are related to capital expenditure for the purchase of production machinery for the Weaving Factory by the Parent Company.
The decrease in the period concern for Euro 3,058 thousand (historical cost) the sale of obsolete weaving machinery and for Euro 183 thousand (historical cost) the Lyon Boutique sale.

Industrial and commercial equipment amount to Euro 451 thousand and principally includes equipment for the ironing, moulds and cutting tools section and commercial equipment at the various stores and outlets managed directly.
The increases in the period, totaling Euro 377 thousand (of which Euro 256 thousand concerning the Parent Company), are related principally to the acquisition of equipments for the new stores opened in the period (Euro 17 thousand), for the headquarters and showroom (for total of Euro 15 thousand) and for existing stores (Euro 251 thousand). The residual part of the increases concern the subsidiary TS Shoes (for Euro 94 thousand), principally for the purchase of moulds and cutting tools.
The decreases in the period concern for Euro 50 thousand (historical cost) the disposal of moulds and cutting tools no longer appropriate for the production of the subsidiary TS Shoes.

Other tangible assets amount to Euro 5,458 thousand and are principally related to office and factory furniture and fittings, furniture and fittings for the various directly managed stores and outlets, EDP and transport and motor vehicles.
The increase in the period, totaling Euro 848 thousand, is related to the purchase of furniture and fittings and EDP, principally for the the new Factory Outlet, the headquarter, the new Weaving Factory and showrooms (for a total of Euro 578 thousand), for the new stores opened in the period (Euro 253 thousand) in addition to the existing stores. They also relate to the purchase of ordinary operating assets.
The decrease in the period of Euro 211 thousand (historical cost) are relative to the sale of the Lyon Boutique. The residual part concerns principally the disposals of obsolete IT material and furniture that are not appropriate for the business activity.

The disposals of the period resulted in gains for Euro 729 thousand, recognized to other revenues and losses for Euro 97 thousand, recognized to other operating charges.

Current Assets

Inventories

The changes in inventories are shown in the table below:

€/000	As of June 30, 2017	As of December 31, 2016	Changes	% Changes
Raw materials, consumables and goods	3,177	3,003	174	5.8%
Work-in-progress and semi-finished products	1,165	1,327	(162)	(12.2%)
Finished goods	49,701	48,731	970	2.0%
Total inventories	**54,043**	**53,061**	**982**	**1.9%**

€/000	As of December 31, 2016	Provisions	Utilizations	As of June 30, 2017
Raw materials, consumables and goods obsolescence	(2,746)	(348)	-	(3,094)
Work-in-progress and semi-finished products obsolescence	-	-	-	-
Finished goods obsolescence provision	(6,652)	(3,324)	1,210	(8,766)
Total obsolescence provision	**(9,398)**	**(3,672)**	**1,210**	**(11,860)**

The inventories consist of:

- Raw materials, consumables and goods for Euro 3,177 thousand, net of the obsolescence provision of Euro 3,094 thousand, include yarns, textiles, accessories, hides and glues;
- Work in progress and semi-finished products, amounting to Euro 1,165 thousand, referring to clothing and footwear in production not completed at period-end;
- Finished goods, amounting to Euro 49,701 thousand, net of the relative obsolescence provision of Euro 8,766 thousand, comprise garments and footwear produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

Inventory net of the relative obsolescence provision, increased by 1.9%, in line with our business activities.

Receivables

The changes in receivables are shown in the table below:

€/000	As of June 30, 2017	As of December 31, 2016	Changes	% Changes
Trade receivables	36,803	40,080	(3,277)	(8.2%)
Tax receivables	1,635	4,272	(2,637)	(61.7%)
Deferred tax assets	8,641	8,143	498	6.1%
Other receivables	2,153	459	1,694	>100%
Total receivables	**49,232**	**52,954**	**(3,722)**	**(7.0%)**

Trade receivables, amounting to Euro 36,803 thousand (Euro 40,080 thousand at December 31, 2016), mainly refer to trade receivables for the sale of products produced and distributed by the Parent Company for Euro 36,726 thousand and by the subsidiary Twin Set Shoes for Euro 53 thousand.

These receivables are reported net of the doubtful debt provision, amounting to Euro 6,679 thousand, against the risk of potential losses. The movements of the provision for the period are as follows:

€/000	As of December 31, 2016	Provisions	Utilizations	As of June 30, 2017
Doubtful debt provision	6,054	840	(215)	6,679

Tax receivables, amounting to Euro 1,635 thousand (Euro 4,272 thousand at December 31, 2016), mainly refer to VAT receivables for Euro 960 thousand (Euro 1,397 thousand at December 31, 2016), the IRES reimbursement receivable pursuant to Legislative Decree 201/2011 of the Parent Company amounting to Euro 155 thousand, Parent Company reimbursement for VAT for Euro 283 thousand and other tax receivables of Euro 237 thousand.

The deferred tax assets, amounting to Euro 8,641 thousand, refer to temporary differences fiscally deductible in future years. These receivables concern the Parent Company for Euro 7,458 thousand.

Other receivables, amounting to Euro 2,153 thousand, principally refer to receivables from suppliers and customers not offset with payables at period-end for advances, totaling Euro 236 thousand (Euro 218 thousand at December 31, 2016). Euro 1,600 thousand related to disposal of assets finalized in June, whose collection took place in July.

Cash and Cash equivalents

The account includes Euro 58,970 thousand related to bank and postal accounts and Euro 160 thousand related to cash on hand. For a better understanding of the changes in cash and cash equivalents, reference should be made to the cash flow statement.

Other accrued income and prepaid expenses

The account amounting to Euro 2,424 thousand includes accrued income concerning cost of services and prepaid expenses mainly related to marketing expenses, utilities and rentals (for a total amount of Euro 1,808 thousand). The account includes also Euro 616 thousand (Euro 766 thousand as of December 2016) related to the discount on the issue of the Bond loan.
There are no accrued income and prepaid expenses with duration of more than five years.

Net Equity

The change in Equity relates primarily to the allocation of losses carried forward, the result of the period, change in Fair Value Reserve and the purchasing of own shares representing the 10% equity stake from minority shareholder. For a better understanding of the changes in equity, reference should be made to the table "Consolidated statement of changes in shareholders'equity".

Provisions for risks and charges

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

€/000	As of December 31, 2016	Provision	Utilizations	As of June 30, 2017
Provision for pensions and similar obligations	5,910	510	-	6,420
Other provision for risks and charges	934	40	(257)	717
Provision for returns	2,449	1,323	(2,063)	1,709
Total provisions for risks and charges	**9,293**	**1,873**	**(2,320)**	**8,846**

The provisions made reflect the best possible estimates based on the information available.

The Provision for pensions and similar obligations refers only to the Parent Company (Euro 6,420 thousand) and relates to the amount due to sales representatives for future contract terminations.
Provisions were determined in accordance with the National Agents' Agreement for the Italian agents and sector agreements for the overseas agents and were recorded under service costs in the Income Statement.

The Other provision for risk and charges include the risk provision concerning potential disputes with third parties amounting to Euro 717 thousand.

The Provision for returns on sales is accrued on the basis of the estimated and expected returns with reference to the sales made during the period, the accrual is booked in the income statement in the “Provisions”.

Financial Derivative Instruments

The account amounts to Euro 3,593 thousand (Euro 2,172 thousand at December 31, 2016) and includes the fair value of Flexible Forward contracts, which have a nominal value of USD 78,000 thousand. The hedging instruments are in place to partially hedge the currency risk arising from the purchase of goods denominated in USD.
It also includes the Fair value of the hedging transactions put in place to mitigate Interest rate risk on the Bond.
As of June 30, 2017, Interest Rate Swap (IRS) contract of Euro 100 million partially hedges the interest rate risk arising from the Notes.

The details and fair value of the contracts as of June 30, 2017 are shown in the following tables:

€/000								
Bank	**Contract type**	**Amount (USD/000)**	**Operation date**	**Date init. util.**	**Maturity date**	**Forward Rate**	**Ctr (Euro/000)**	**Fair Value (EUR/000)**
BPER	Flexi forward	2,000	01/04/2016	02/05/2017	31/07/2017	1.1540	1,733	3
Unicredit	Flexi forward	5,000	22/04/2016	01/08/2017	28/11/2017	1.1400	4,386	(2)
BNL	Flexi forward	2,000	01/02/2017	01/08/2017	30/10/2017	1.0853	1,843	(13)
BPER	Flexi forward	3,000	02/05/2016	01/08/2017	28/11/2017	1.1644	2,576	7
Bper	Flexi forward	5,000	02/11/2016	01/09/2017	20/12/2017	1.1220	4,456	(13)
Unicredit	Flexi forward	5,000	07/11/2016	01/11/2017	28/02/2018	1.1220	4,456	(119)
BNL	Flexi forward	5,000	07/11/2016	01/11/2017	26/02/2018	1.1212	4,460	(106)
Unicredit	Flexi forward	5,000	17/01/2017	01/12/2017	30/03/2018	1.0868	4,601	(271)
Unicredit	Flexi forward	3,000	02/02/2017	01/12/2017	27/03/2018	1.0952	2,739	(134)
BNL	Flexi forward	1,500	26/04/2017	01/02/2018	30/04/2018	1.1071	1,355	(62)
BPER	Flexi forward	2,500	27/03/2017	03/04/2018	29/06/2018	1.1070	2,258	(111)
Unicredit	Flexi forward	2,000	09/06/2017	01/03/2018	31/05/2018	1.1324	1,766	(45)
BPER	Flexi forward	5,000	02/02/2017	01/03/2018	29/06/2018	1.1028	4,534	(220)
BNL	Flexi forward	5,000	27/03/2017	03/05/2018	31/07/2018	1.1115	4,498	(189)
MPS	Flexi forward	5,000	26/04/2017	02/07/2018	31/08/2018	1.1155	4,482	(204)
MPS	Flexi forward	5,000	27/04/2017	02/07/2018	28/09/2018	1.1140	4,488	(217)
MPS	Flexi forward	3,000	09/06/2017	01/08/2018	29/10/2017	1.1420	2,627	(55)
BPER	Flexi forward	2,000	28/04/2017	04/09/2018	30/10/2018	1.1225	1,782	(65)
BPER	Flexi forward	2,000	29/06/2017	04/09/2018	30/10/2018	1.1680	1,712	8
MPS	Flexi forward	5,000	22/05/2017	01/10/2018	19/12/2018	1.1520	4,340	(70)
MPS	Flexi forward	5,000	29/06/2017	01/10/2018	19/12/2018	1.1707	4,271	(24)
Total		**78,000**					**69,363**	**(1,903)**

€/000						
Counterparty	**Amount**	**Operation date**	**Maturity date**	**Rate**	**Floater**	**Fair Value**
Unicredit	100,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(1,690)
Total	**100,000**					**(1,690)**

Deferred tax liabilities

The account, amounting to Euro 5,937 thousand (Euro 6,112 thousand at December 31, 2016), mainly refer to the deferred tax effect over the amount allocated to the trademark “TWINSET Simona Barbieri”.

Provision for employee severance indemnities

The provision, amounting to Euro 524 thousand, reflects the liability of the Italian companies as of June 30, 2017 (Euro 281 thousand refers to the Parent Company and Euro 243 thousand refers to the subsidiary Twin Set Shoes) to all employees at that date, less advances made and transfers to the INPS Treasury Fund and the Open Funds.

Payables

The changes in payables are shown in the table below:

€/000	As of June 30, 2017	As of December 31, 2016	Changes	% Changes
Bonds	150,000	150,000	-	-
Shareholder loan	83,267	80,519	2,748	3.4%
Bank loans	4	85	(81)	(95.3%)
Client advances	2,146	1,927	219	11.4%
Trade payables	46,004	48,812	(2,808)	(5.8%)
Tax payables	3,351	1,508	1,843	>100%
Social security payables	912	1,243	(331)	(26.6%)
Other payables	3,461	4,203	(742)	(17.7%)
Total payables	**289,145**	**288,297**	**848**	**0.3%**

Bonds reflect the nominal value of the Senior Bond Loan (“Bond”) of Euro 150,000 thousand, issued on July 22, 2014 with maturity on July 15, 2019. The Bond (High Yield Bond), on which interest matures quarterly, indexed to the Euribor 3 months increased by a spread of 5.875%, with a B2 rating from Moody’s and a B rating from Standard & Poor’s, is listed on the ExtraMot market of the Italian Stock Exchange and is exclusively available to qualified investors.

Shareholders loans concern the shareholder (The Carlyle Group) loan for Euro 83,267 thousand, including interest matured in the period. The loan matures in 2020, with capitalized interests at an annual rate of 7%. The above-stated loan was acquired by The Carlyle Group on July 1st, 2015 from Mo.Da Gioielli.

The following table reports a breakdown of bank loans as of June 30, 2017 and the changes during the period:

€/000	As of December 31, 2016	Changes in the year		As of June 30, 2017	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
BPER (3564210)	78	(78)	-	-	29/01/2017	-	-	-	-
Total	**78**	**(78)**	**-**	**-**		**-**	**-**	**-**	**-**

The Client advances, amounting to Euro 2,146 thousand (Euro 1,927 thousand as of December 31, 2016), refer to advances from clients for future sales.

Trade payables, amounting to Euro 46,004 thousand (Euro 48,812 thousand at December 31, 2016) refer to payables for the supply of goods and services for Euro 40,132 thousand (Euro 42,772 thousand at December 31, 2016) and payables to agents for commissions of the Parent Company for Euro 5,872 thousand (Euro 5,908 thousand at December 31, 2016).

Tax payables, amounting to Euro 3,351 thousand (Euro 1,508 thousand at December 31, 2016) are recorded net of payments in advance, withholding taxes and tax credits legally offset. This item includes payables for definite tax liabilities of the Group.
In particular, the amount includes: the IRES payables of the Parent Company for Euro 1,383 thousand, the IRAP payables of the Parent Company for Euro 612 thousand, the TS Shoes payables for IRAP for Euro 17 thousand, the employees and consulting withholding taxes for Euro 689 thousand (Euro 1,265 thousand at December 31, 2016), the VAT payables of the various group companies for Euro 139 thousand and other tax payables for Euro 511 thousand.

Social security payables, amounting to Euro 912 thousand (Euro 1,243 thousand at December 31, 2016), principally refer to INPS payables for Euro 797 thousand (Euro 1.090 thousand at December 31, 2016), ENASARCO for Euro 80 thousand (Euro 106 thousand at December 31, 2016) and other social security institutions for Euro 32 thousand (Euro 33 thousand at December 31, 2016). The payables are principally related to the Parent Company and the subsidiaries Twin Set France, Twin Set Shoes, and Twin Set Spain.

Other payables, amounting to Euro 3,461 thousand (Euro 4,203 thousand at December 31, 2016), mainly include payables to employees for salaries, vacations, 13th and 14th month, MBO and relative contributions totaling Euro 3,209 thousand (Euro 3,856 thousand at December 31, 2016).

Accrued expenses and deferred income

As of June 30, 2017, the financial statements caption mainly includes accrued expenses related to the Bond interests.

Revenue

Twinset Revenue decreased by Euro 1,316 thousand, or 1.1%, to Euro 121,913 thousand for the six months ended June 30, 2017 from Euro 123,229 thousand for the six months ended June 30, 2016.

The following table sets forth the breakdown of our revenue by distribution channel for the six months ended June 30, 2017 and 2016.

Breakdown of revenue by distribution channel	Six months ended June 30,	% of Twin Set Revenue	Six months ended June 30,	% of Twin Set Revenue	Change	% Change
(€/000)	2017		2016			
Wholesale	77,419	63.5%	82,743	67.1%	(5,324)	(6.4%)
Retail (including on line)	44,494	36.5%	40,486	32.9%	4,008	9.9%
Twin Set Revenue	**121,913**	**100%**	**123,229**	**100%**	**(1,316)**	**(1.1%)**

The following table sets forth the breakdown of our revenue by geographic area for the six months ended June 30, 2017 and 2016.

Breakdown of revenue by geography (€/000)	For the six months ended June 30,	For the six months ended June 30,	Change	% Change
	2017	2016		
Italy	72,101	75,488	(3,387)	(4.5%)
Benelux	7,584	8,473	(889)	(10.5%)
Spain	8,994	10,335	(1,341)	(13.0%)
France	5,114	5,722	(608)	(10.6%)
Greater Russia	10,429	7,635	2,794	36.6%
Germany	4,200	4,710	(510)	(10.8%)
Other countries	13,491	10,866	2,625	24.2%
Twin Set Revenue	**121,913**	**123,229**	**(1,316)**	**(1.1%)**

Other income

Other income and internally generated assets are composed of:

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2017	2016		
Rental income	37	28	9	32%
Reimbursements	162	64	98	>100%
Ordinary gains	733	75	658	>100%
Prior year income	369	472	(103)	(21.8%)
Other income	351	176	175	99.4%
Operating grants	2	-	2	100.0%
Internally generated assets	91	137	(46)	(33.6%)
Total other income and internally generated assets	**1,745**	**952**	**793**	**83.3%**

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 and disservice.

Ordinary gains, amounting to Euro 733 thousand (Euro 75 thousand as of June 2016), relate to the Parent Company for Euro 435 thousand and are related to the sale of obsolete machinery at the Weaving Factory. Euro 294 thousand relates to the disposal of our Boutique in Lyon.

Prior year income, amounts to Euro 3699 thousand (Euro 472 thousand as of June 2016) and mainly refers to other income not recurring.

Other income of Euro 351 thousand (Euro 176 thousand in 2016) refer to the Parent Company for Euro 321 thousand and principally include royalties for Euro 96 thousand, revenues for closing of one of our Boutique for Euro 82 thousand and revenues from the recharge of penalties to suppliers for Euro 31 thousand.

Internally generated assets, amounting to Euro 91 thousand, principally refers to the capitalization of employee costs for the development of the new software *"Stealth"* and the project *"Business Intelligence"*.

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 decreased by Euro 2,622 thousand, or 5.9%, to Euro 41,860 thousand for the six months ended June 30, 2017 from Euro 44,482 thousand for the six months ended June 30, 2016. As a percentage of Twinset Revenue, this line item decreased to 34.3%, confirming the results of the supply chain policies implemented since the end of 2014.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Raw materials, supplementary materials, consumables and goods	42,301	38,766	3,535	9.1%
Change in inventories of raw materials, supplementary materials, consumables and goods	(617)	656	(1,273)	>(100%)
Purchase of raw materials, goods and changes in inventory	**41,684**	**39,422**	**2,262**	**5.7%**
Change in work in progress, semi-finished and finished product inventories	176	5,060	(4,884)	(96.5%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**41,860**	**44,482**	**(2,622)**	**(5.9%)**
% of Twin Set Revenue	*34.3%*	*36.1%*		

Cost of services

Cost of services increased by Euro 1,346 thousand, or 4.3%, to Euro 32,301 thousand for the period ended June 30, 2017, from Euro 30,954 thousand in the same period of 2016. As a percentage of Twinset Revenue, cost of services increased by 1.4 p.p., to 26.5% for the six months ended June 30, 2017 from 25.1% for the six months ended June 30, 2016.

The table below sets forth the breakdown of costs of services for the six months ended June 30, 2017 and 2016:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Agent commissions	6,300	6,870	(570)	(8.3%)
Marketing and advertising	5,874	5,346	528	9.9%
External works	4,365	4,783	(418)	(8.7%)
Logistics and transport	7,028	5,498	1,530	27.8%
Administrative	2,858	3,027	(169)	(5.6%)
Travelling expenses	781	687	94	13.7%
Insurance	556	564	(8)	(1.4%)
Other service costs	4,539	4,179	360	8.6%
Total cost of services	**32,301**	**30,954**	**1,347**	**4.4%**
% of Twin Set Revenue	*26.5%*	*25.1%*		

Rent

Rent increased by Euro 1,354 thousand, or 14.5%, to Euro 10,673 thousand for the period ended June 30, 2017 from Euro 9,319 thousand for the same period of 2016.
The increase in "Rent expenses for shop, outlet and showrooms" relates to the 10 new openings of Boutiques and Outlets in the past 12 months - net of four stores closing that incurred in the period under review.
"Rent expenses for headquarters" amounts to Euro 813 thousand (Euro 543 thousand in 2016) and relates to administrative offices and production site rental of the Parent Company (Euro 645 thousand) and of the subsidiaries Twin Set Shoes (Euro 61 thousand) and Twin Set East (Euro 107 thousand). The increase mainly refers to new Headquarter in Carpi.

"Other rent expenses" of Euro 331 thousand includes hire costs, principally motor vehicles.

The table below sets forth the breakdown of rent for the six months ended June 30, 2017 and 2016:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Rent expenses for shop, outlet and showrooms	9,529	8,456	1,073	12.7%
Rent expenses for headquarters	813	543	270	49.7%
Other rent expenses	331	320	11	3.4%
Total rent	**10,673**	**9,319**	**1,354**	**14.5%**
% of Twin Set Revenue	*8.8%*	*7.6%*		

Personnel costs

Personnel costs increased by Euro 651 thousand, or 4.0%, to Euro 16,791 thousand in the six months of 2017 from Euro 16,140 thousand in the six months of 2016. As a percentage of Twinset Revenue, personnel costs increased by 0.7 p.p. to 13.7% for the six months ended June 30, 2017 from 13.1% for the six months ended June 31, 2016. The increase mainly relates to the rise in the number of employees, both for the Retail channel and headquarters.
The table below sets forth the breakdown of personnel costs for the six months ended June 30, 2017 and 2016.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Wages and salaries	12,846	12,207	639	5.2%
Social security contribution	3,241	3,258	(17)	(0.5%)
Employee severance indemnities	696	675	21	3.1%
Other personnel costs	8	-	8	100%
Total personnel costs	**16,791**	**16,140**	**651**	**4.0%**
% of Twin Set Revenue	*13.8%*	*13.1%*		

Amortization and depreciation

Amortization and depreciation are in line with the previous period and amount to Euro 11,521 thousand for the six months ended June 30, 2017.

The table below sets forth the breakdown of depreciation and amortization for the six months ended June 30, 2017 and 2016.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Amortization of intangible fixed assets	10,081	10,086	(5)	(0.0%)
Depreciation of tangible fixed assets	1,440	1,187	253	21.3%
Total amortisation and depreciation	**11,521**	**11,273**	**248**	**2.2%**
% of Twin Set Revenue	*9.5%*	*9.1%*		

Operating profit

Operating profit decreased by Euro 348 thousand, to Euro 10,153 thousand for the six months eneded June 30, 2017 from Euro 10,501 thousand for the six months eneded June 30, 2016. As a percentage of Twinset Revenue, operating profit decreased by 0.2 p.p. to 8.3% in 2017 from 8.5% of the same period in 2016.

Financial income/(expenses)

Financial income/expenses increased by Euro 505 thousand to Euro 7,806 thousand in the six months of 2017 from Euro 7,301 thousand in the same period of 2016.

Other Financial income refers mainly to interest matured on current accounts.

Interest and other financial expenses principally concerns interest paid on the Bond for Euro 4,764 thousand and interest matured on the Shareholder loan for Euro 2,747 thousand.

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Other financial income	37	14	23	>100%
Interest and other financial expenses	(7,780)	(7,613)	(167)	2.2%
Foreign exchange gains/(losses)	(63)	298	(361)	>(100%)
Total financial income/(expenses)	**(7,806)**	**(7,301)**	**(505)**	**6.9%**
% of Twin Set Revenue	*(6.4%)*	*(5.9%)*		

The breakdown of interest and other financial expenses in the period is shown in the table below:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Shareholder loan interest	**2,747**	**2,579**	**168**	**6.5%**
Bank interest	**269**	**247**	**22**	**8.9%**
Loan interest	*2*	*9*	*(7)*	(77.8%)
Overdraft and short-term loan interest	-	*4*	*(4)*	(100.0%)
Bank charges	*267*	*190*	*77*	40.5%
Financial losses	-	*44*	*(44)*	(100.0%)
Interest on Bond	**4,764**	**4,787**	**(23)**	**(0.5%)**
Total interest and other financial expenses	**7,780**	**7,613**	**167**	**2.2%**

Overall, interest and other financial charges are in line with the previous year since the amount of debt outstanding did not change materially.

Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
Current taxes	(4,460)	(3,631)	(829)	22.8%
Deferred taxes	175	211	(36)	(17.1%)
Prepaid taxes	498	(785)	1,283	>(100%)
Total income tax	**(3,787)**	**(4,205)**	**418**	**(9.9%)**

Current taxes are as follows:

€/000	Six months ended June 30, 2017	Six months ended June 30, 2016	Change	% Change
IRES	(3,488)	(2,707)	(781)	28.9%
IRAP	(972)	(924)	(48)	5.2%
Total current taxes	**(4,460)**	**(3,631)**	**(829)**	**22.8%**

Current taxes, amounting to Euro 4,460 thousand as of June 30, 2017, include IRES for Euro 3,488 thousand (of which Euro 3,086 thousand related to TS Italy and Euro 402 thousand to TS Shoes) and IRAP for Euro 972 thousand (of which Euro 893 thousand related to TS Italy and Euro 79 thousand to TS Shoes).

Related Parties

As a consequence of the agreememt signed between the Parent Company and the minority shareholder Miss Simona Barbieri on April 2017 for the purchase of own shares representing the residual 10% minority interest own by Miss Simona Barbieri, MO.DA Gioielli is not a related party anymore. The Parent Company undertakes its activities through the utilization of factories and warehouses under rental contracts, owned property or finance leases of MO.DA Gioielli S.r.l..
No atypical and/or unusual transactions took place with related parties and all operations were governed at normal market conditions.

Contract obligations and commercial commitments

The following table summarizes the commitments and payments outstanding as of June 30, 2017, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management’s estimates of the contractual maturities of our obligations related to rent and operating leases for Boutiques/Outlets, Showrooms and other buildings. These maturities may differ significantly from the actual maturity of the obligations.

€ in millions	Expected cash payments falling due in the years ending December 31,			
	2017	2018-2021	2022 and thereafter	Total
Notes offered hereby	-	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets (1) (2)	8.7	50.8	24.0	83.5
Rent and operating leases commitments for Showroom (1)	0.2	1.7	0.08	2.0
Rent and operating leases commitments for Civil and Industrial Buildings (1)	0.6	4.2	3.5	8.3
Rent and operating leases commitments related to TS Shoes (1)	0.06	0.01	-	0.1
Total	**9.6**	**206.7**	**27.6**	**243.9**

(1) Future rental and operating lease commitments do not include inflation rate adjustments, variable rent and any renewal options.
(2) Future rental and operating lease commitments for Boutique and Outlets without considering Boutique located in Dusseldorf.

The following table summarizes the commitments related to guarantees provided by credit institutions on behalf of the group in connection with contractual obligations undertaken on the signing of rental contracts.

€ in millions	As of June 30, 2017	As of June 30, 2016	Change	% Change
DOS and Outlet rental guarantees	6.7	6.3	0.4	6.3%