TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Quarter report as of and for the nine months ended

September 30, 2015

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the financial condition and results of operations of Twin Set – Simona Barbieri Group (Group) as of and for the nine months ended September 30, 2015. This discussion should be read together with the Twin Set – Simona Barbieri Group Interim Consolidated Financial Statements as of and for the nine months ended September 30, 2015 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 and performance according to non-GAAP financial measures. Such non-GAAP measures are used by different companies for differing purposes and are often calculated in ways based on the circumstances of such companies. Caution should be exercised in comparing non-GAAP measures with those of other companies. The information presented under non-GAAP measures discussed herein is unaudited and has not been prepared in accordance with Italian GAAP or any other accounting standards. The non-GAAP financial measures discussed herein have limitations as analytical tools, and should not be considered in isolation.

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

OVERVIEW

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

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

We have a total of twelve product lines. Twin Set Main is our traditional product line. It has been in production since 2000 and features our iconic knitwear products and a comprehensive offering of traditional fashion staples. SCEE (pronounced “shee”) is a line of traditional apparel products aimed at young adults. In addition, we offer the Girl and Girl shoes product line for girls aged 6-16 and we launched the line catering for girls aged six years down to infants (Baby line and new born line) since 2014. The remaining six product lines are complementary to our main apparel lines and provide our customers with the Twin Set “total look”: Bags/Accessories, Shoes, Le Coeur, Jeans, Beachwear and Lingerie. These additional product lines were added to our portfolio as awareness of our brand increased and customers began to look to Twin Set to satisfy all of their fashion needs.

RECENT DEVELOPMENT

On July 1st, 2015, The Carlyle Group and Simona Barbieri have purchased from Mo.Da Gioielli Srl its entire minority stake of 28% of the Twin Set-Simona Barbieri’s share capital, along with the shareholders' loan in place between Mo.Da as lender and the Parent Company as borrower (the "Transaction"). In particular, The Carlyle Group acquired 18% of Parent Company’s share capital, bringing its total shareholding to 90%, while Simona Barbieri directly purchased a 10% stake. The Carlyle Group also purchased the entire shareholders' loan in place between the Parent Company and Mo.Da. Concurrently, Tiziano Sgarbi resigned from his position of CEO of the Parent Company. The Transaction is part of a reorganisation plan aiming at continuing the Parent Company's process of international and retail development initiated in 2012. Alessandro Varisco was appointed as the Parent Company's new CEO, while Simona Barbieri was reconfirmed Creative Director and Director of the Parent Company.
During the last quarter we opened Agira Girl Outlet and Barberino Outlet on 1st and 7th of August 2015 respectively.

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:

- **Twin Set Revenue,** Twin Set Revenue refers to revenue from our consolidated financial statements excluding Other revenue arising from the sales to third parties of samples and raw materials not used for internal production.

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

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

- **Adjusted EBITDA,** we calculate Adjusted EBITDA by taking our Reported EBITDA, then adding back certain non-recurring items, non-recurring accruals and other items.

- **EBIT,** we calculate EBIT as profit for the year plus income tax, extraordinary (income)/expenses, impairment of investments, financial (income)/expenses, each as presented in our consolidated financial statements.

- **Adjusted EBITDA margin,** we calculate Adjusted EBITDA Margin by dividing our Adjusted EBITDA by Twin Set Revenue for the relevant year.

- **Operating working capital,** we calculated as the sum of inventory, trade receivables less trade payables, client/supplier advances and provisions for returns.

- **Net financial indebtedness,** is calculated as total net financial debt, excluding amounts due under the Shareholders' Loan, accrual on loan interests for the period and the fair value of derivatives contracted to hedge the risk of exchange rate and interest rate.

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

Like-for-like revenue performance of our retail DOS 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 in our point of sale locations, seasonality and VAT rates also impact like-for-like sales.

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

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

Like-for-like revenue performance	For the year ended December 31,				For the nine months ended September 30,
	2011	2012 (1)	2013	2014	2015
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	2.4%	6.2%

(1) As presented herein, the results of operations of Light Force for the year ended December 31, 2012 refer to the period ended December 30, 2012. Due to the effects of the Merger, the 2012 fiscal year of Light Force was one business day shorter than usual. Our retail revenue on this extra day that is not included in the results of operations of Light Force for the period ended December 30, 2012 was Euro 74 thousand.

Our total like-for-like revenue performance has improved over the period under review, by 6.2% for the nine months ended September 30, 2015 and by 2.4%, 7.8%, 6.5% and 5.2% for the years 2014, 2013, 2012 and 2011, respectively. Furthermore, our increased total like-for-like revenue performance was primarily driven by increased brand awareness and improving retail operations abroad.

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 relative to our wholesale channel in the last years, although our wholesale channel remains the primary driver of our revenue, accounting for 70.8% and 76.5% of Twin Set Revenue for the nine months ended September 30, 2015 and June 30, 2014 respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. Adjusted 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	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Reported EBITDA	**38,909**	**32,038**	**6,871**	**21.4%**
Non-recurring accruals	549	788	(239)	(30.3%)
Other items	371	325	46	14.2%
Adjusted EBITDA	**39,829**	**33,151**	**6,678**	**20.1%**
Adjusted EBITDA Margin	*19.8%*	*18.9%*		

As shown in the table above, our Adjusted EBITDA reached Euro 39.8 million, showing an increase of Euro 6.7 million (+20.1%) compared to the same period of 2014, mainly due to the expansion in Twin Set Revenue volume.

Adjusted Ebitda Margin is 19.8% for the nine months ended September 30, 2015 increasing 0.9 percentage points (p.p.) compared to the same period of 2014. This is primarily due to positive effects of volume and channel mix and as results of our strategy to focus on the current DOS network in order to improve efficiency and increase profitability after 2 years of heavy investments in the retail expansion, partially offset by slightly higher discount during the summer sale period.
Moreover the improvement is due to an effective Opex management through primarily rationalization of Marketing, Sample and Logistics costs to compensate higher personnel, rent costs and agent commission mainly incurred to operate in foreign markets.

Non-recurring accruals, both for the nine months ended September 30, 2015 and June 30, 2014, relate mainly to provision for disputes with former agents and for the nine months ended September 30, 2015 also to extraordinary costs related to the share capital transaction and the financing previously described.
Other items include mainly bank service costs (Euro 0.3 million) that, according to Italian GAAP, are classified into the cost of services line item rather than in financial (income)/expense.

RESULTS OF OPERATIONS

Nine months ended September 30, 2015 of Twin Set compared to the nine months ended September 30, 2014 of Twin Set

The following table sets forth the financial information of Twin Set for the nine months ended September 30, 2015 compared to the financial information of Twin Set for the nine months ended September 30, 2014.

€/000	Nine months ended September 30,	% of revenue	Nine months ended September 30,	% of revenue	Change	% Change
Consolidated Income Statement	**2015**		**2014**			
Revenue	203,060	*100.0%*	177,173	*100.0%*	25,887	*14.6%*
Other income and internally generated assets	2,261	*1.1%*	1,715	*1.0%*	546	*31.8%*
Change in work in progress, semifinished and finished product inventories	(15,613)	*(7.7%)*	(10,855)	*(6.1%)*	(4,758)	*43.8%*
Purchase of raw materials, goods and changes in inventory	(57,703)	*(28.4%)*	(53,874)	*(30.4%)*	(3,829)	*7.1%*
Cost of services	(52,767)	*(26.0%)*	(51,718)	*(29.2%)*	(1,049)	*2.0%*
Rent	(13,171)	*(6.5%)*	(9,276)	*(5.2%)*	(3,895)	*42.0%*
Personnel costs	(22,204)	*(10.9%)*	(17,835)	*(10.1%)*	(4,369)	*24.5%*
Write-downs of trade receivables	(2,772)	*(1.4%)*	(1,700)	*(1.0%)*	(1,072)	*63.1%*
Provisions	(150)	*(0.1%)*	(370)	*(0.2%)*	220	*(59.5%)*
Other operating costs	(2,032)	*(1.0%)*	(1,221)	*(0.7%)*	(811)	*66.4%*
Reported EBITDA	**38,909**	***19.2%***	**32,038**	***18.1%***	**6,871**	**21.4%**
Depreciation and amortization	(17,107)	*(8.4%)*	(20,008)	*(11.3%)*	2,901	*(14.5%)*
Operating profit	**21,802**	***10.7%***	**12,030**	***6.8%***	**9,772**	**81.2%**
Financial income/(expenses)	(11,954)	*(5.9%)*	(9,766)	*(5.5%)*	(2,188)	*22.4%*
Extraordinary income/(expenses)	(257)	*(0.1%)*	(662)	*(0.4%)*	405	*(61.2%)*
Profit/(loss) before tax	**9,591**	***4.7%***	**1,602**	***0.9%***	**7,989**	***>100%***
Income tax	(7,398)	*(3.6%)*	(3,844)	*(2.2%)*	(3,554)	*92.5%*
Profit/(loss) for the period	**2,193**	***1.1%***	**(2,241)**	***(1.3%)***	**4,434**	***>(100%)***

Revenue. Revenue increased by Euro 25.9 million, or 14.6%, to Euro 203.1 million for the nine months ended September 30, 2015 from Euro 177.2 million for the nine months ended September 30, 2014. This increase was due to both wholesale and retail channel growth distributed across our domestic and international markets.

The following table sets forth the breakdown of our revenue by distribution channel for the nine months ended September 30, 2014 and 2015.

Breakdown of revenue by distribution channel	For the nine months ended September 30,	% of Twin Set Revenue	For the nine months ended September 30,	% of Twin Set Revenue	Change	% Change
(€/000)	**2015**		**2014 (1)**			
Wholesale	142,133	70.8%	134,339	76.5%	7,794	5.8%
Retail (including on line)	58,750	29.2%	41,208	23.5%	17,542	42.6%
Twin Set Revenue	**200,883**	**100%**	**175,547**	**100%**	**25,336**	**14.4%**
Other revenue (2)	2,177		1,626		551	33.9%
Revenue	**203,060**		**177,173**		**25,887**	**14.6%**

(1) In comparison with the Financial Statements published as of September 30, 2014, sample revenue was reclassified in Other revenue in order to have comparable data with those as of September 30, 2015.

(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

Wholesale
We have maintained and expanded our wholesale distribution channel in Italy and internationally respectively. This channel consists of apparel doors and specialty doors operated by third parties that sell our merchandise along with products from other retailers. Specialty doors are mixed retail apparel points of sale where specific product lines, such as Beachwear/Lingerie, Girl and Girl Shoes are sold.
Wholesale revenue increased by Euro 7.8 million, or 5.8%, to Euro 142.1 million for the nine months ended September 30, 2015 from Euro 134.3 million for the nine months ended September 30, 2014. This increase was primarily due to increased sales abroad, where wholesale revenue increased by Euro 7.8 million, or 16.6%, compared to the same period in 2014. The franchising contribution amounts to Euro 4.5 million, with an increase of Euro 3.0 million in comparison with the same period of last year. These results confirm the Twin Set brand penetration in the international market. Wholesale revenue remained broadly unchanged in Italy compared with the same period in 2014.

Retail (including online)
Retail revenue increased by Euro 17.5 million, or 42.6%, to Euro 58.8 million for the nine months ended September 30, 2015, from Euro 41.2 million for the nine months ended September 30, 2014. This increase was primarily attributable to the expansion of our retail network with 9 DOS and 3 Outlet (net of the Outlet closed for relocation at September 2015) opened in the last 12 months. Like-for-like revenue performance for the nine months ended September 30, 2015 as compared to the same period of 2014 also had a good performance increasing by 6.2%. Online channel sales also contributed to retail channel results improving its performance by Euro 1.7 million or 63.6% compared with the same period in 2014.

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

Retail points of sales	As of September 30, 2015		As of September 30, 2014	
	DOS	Outlet	DOS	Outlet
Italy	31	13 [1]	27	11
Outside of Italy	19	3	14	2
Total retail point of sale	**50**	**16**	**41**	**13**
	66		**54**	

[1] The relevant amounts are net of the store closing that occurred in the period (1 store in 2015 closed for relocation).

During the period under review, our retail points of sale network expanded from 54 retail points of sale as of September 30, 2014 to 66 retail points of sale as of September 30, 2015 (50 DOS and 16 Outlets).

In the nine months of 2015, and in line with our plan, we opened new retail point of sales in Italy (Salerno, Catania, Siena, Milan Central Station[1], a factory store in Carpi, Agira girl Outlet and Barberino Outlet), Russia (Mosca GUM and Mosca Outlet) and Spain (Puerto Banus). In late September 2015, we closed Valmontone Outlet in order to relocate it in a more strategic position. It was reopened in October, in the same shopping center.

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

Retail points of sales openings	For the nine months ended September 30, 2015		For the nine months ended September 30, 2014	
	DOS	Outlet	DOS	Outlet
Italy	4	2 [2]	0 [2]	1
Outside of Italy	2	1	12	2
Total retail point of sale	**6**	**3**	**12**	**3**
	9		**15**	

[1] The Milan Central Station is a temporary store opened to exploit the Universal Exposition (Expo) being hosted by Milan
[2] The relevant amounts are net of the store closing that occurred in the period (1 store in 2015 closed for relocation and 3 stores in 2014)

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

Breakdown of retail revenue by sub-channel (€/000)	For the nine months ended September 30,	For the nine months ended September 30,	Change	% Change
	2015	2014		
DOS	42,576	29,693	12,883	43.4%
Outlet	11,908	8,907	3,001	33.7%
Online	4,266	2,608	1,658	63.6%
Retail Revenue	**58,750**	**41,208**	**17,542**	**42.6%**

During the periods under review, the growth of our retail channel revenue was driven primarily by the development of our DOS network which contributed Euro 42.6 million in revenue for the nine months ended September 30, 2015. DOS revenue increased by Euro 12.9 million, or 43.4% compared with the same period in 2014. We also invested in our Outlet store network, which contributed Euro 11.9 million in revenue in the nine months of 2015, compared to Euro 8.9 million in the same period of 2014. In addition, our online sub-channel contributed Euro 4.3 million in revenue for the nine months of 2015, compared to Euro 2.6 million for the nine months of 2014, due to our increased online customer base and web-based marketing initiatives.

The following table sets forth the breakdown of our revenue by geography for the periods ended September 30, 2014 and September 30, 2015.

Breakdown of revenue by geography (€/000)	For the nine months ended September 30,	For the nine months ended September 30,	Change	% Change
	2015	2014 (1)		
Italy	129,306	122,600	6,706	5.5%
Benelux	13,435	11,302	2,133	18.9%
Spain	14,039	10,066	3,973	39.5%
France	7,304	6,086	1,218	20.0%
Russia	10,763	6,208	4,555	73.4%
Germany	7,659	4,543	3,116	68.6%
Other countries	18,377	14,742	3,635	24.7%
Twin Set Revenue	**200,883**	**175,547**	**25,336**	**14.4%**
Other revenue (2)	2,177	1,626	551	33.9%
Revenue	**203,060**	**177,173**	**25,887**	**14.6%**

(1) In comparison with the Financial Statements published as of September 30, 2014, sample revenue was reclassified in Other revenue in order to have comparable data with those as of September 30, 2015.

(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

Italy

Revenue generated in Italy increased by Euro 6.7 million, or 5.5%, to Euro 129.3 million for the nine months ended September 30, 2015, from Euro 122.6 million for the nine months ended September 30, 2014. The growth was mainly due to the Retail channel, while the Wholesale channel remained unchanged.

International

Compared to the nine months ended September 30, 2014 revenue generated outside of Italy increased by Euro18.6 million, or 35.2%.

This result was due both to the retail international expansion thanks to the new openings (Russia 2 stores, Spain 1 store and Germany 3 stores) and the like for like good performance, together with an increasing penetration of our new lines in the wholesale channel.

The table below sets forth our revenue by product line.

Breakdown of revenue by product line (€/000)	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014 (1)	Change	% Change
TS Main	93,757	82,410	11,347	13.8%
Beachwear/Lingerie	25,153	20,999	4,154	19.8%
Jeans	19,510	14,366	5,144	35.8%
Girl, Baby and Newborn	18,538	15,320	3,218	21.0%
Accessories/Bags	13,285	13,978	(693)	(5.0%)
Shoes	10,382	10,305	77	0.7%
Le Coeur	9,721	6,719	3,002	44.7%
Scee	9,418	10,002	(584)	(5.8%)
Other	1,119	1,448	(329)	(22.7%)
Twin Set Revenue	**200,883**	**175,547**	**25,336**	**14.4%**
Other revenue (2)	2,177	1,626	551	33.9%
Revenue	**203,060**	**177,173**	**25,887**	**14.6%**

(1) In comparison with the Financial Statements published as of September 30, 2014, sample revenue was reclassified in Other revenue in order to have comparable data with those as of September 30, 2015.

(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

Most of portfolio lines reported generally positive performances. The most recent lines (Beachwear, Lingerie, Jeans, Le Coeur) benefit from significant growth due to the combined effect of the new Retail openings and to the consolidated recognition of these lines in the Wholesale channel. The more traditional line, TS Main, reported good performances and above the general market trend.

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories. Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by Euro 8.6 million, or 13.3%, to Euro 73.3 million for the nine months ended September 30, 2015 from Euro 64.7 million for the nine months ended September 30, 2014. As a percentage of Revenue, this line item decreased by 0.4 p.p., to 36.1% in the nine months of 2015, from 36.5% in the nine months ended September 30, 2014. This decrease was primarily due to a change in the channel and product mix and, to a lesser extent, to a more efficient supply chain but it was also partially offset by slightly higher discounts during the summer sale period.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Raw materials, supplementary materials, consumables and goods	59,314	58,446	868	1.5%
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,611)	(4,572)	2,961	(64.8%)
Purchase of raw materials, goods and changes in inventories	**57,703**	**53,874**	**3,829**	**7.1%**
Change in work in progress, semi-finished and finished product inventories	15,613	10,855	4,758	43.8%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**73,316**	**64,729**	**8,587**	**13.3%**
% of Revenue	*36.1%*	*36.5%*	-	-

Cost of services. Cost of services increased by Euro 1.0 million, or 2.0%, to Euro 52.8 million for the period ended September 30, 2015, from Euro 51.7 million in the same period of 2014. As a percentage of revenue, cost of services compared to the same period last year decreased by 3.2 p.p.. This was due both to a positive volume effect and to a more careful management of operating costs, which started in the second half of 2014 and continued in the period under review. The table below sets forth the breakdown of costs of services for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30,	Nine months ended September 30,	Change	% Change
	2015	2014		
Agent commissions	13,288	11,521	1,767	15.3%
Marketing and advertising	8,433	9,781	(1,348)	(13.8%)
External works	9,901	11,224	(1,323)	(11.8%)
Logistics and transport	9,231	8,864	367	4.1%
Administrative	3,908	3,200	708	22.1%
Travelling expenses	927	1,210	(283)	(23.4%)
Other service costs	7,079	5,918	1,161	19.6%
Total cost of services	**52,767**	**51,718**	**1,049**	**2.0%**
% of Revenue	*26.0%*	*29.2%*		

The 2.0% increase in costs of services for the nine months ended September 30, 2015 was mainly attributable to an increase in Administrative, Other service costs and Agent commissions for 22.1%, 19.6% and 15.3% respectively, but partially offset by the decrease in Travelling expenses (-23.4%) and in Marketing and advertising expenses (-13.8%). Administrative expenses increased due to the setting up of central administrative functions to support the Company growth and international retail expansion. Agent commissions increased more than proportionally to sales in the wholesale channel due to higher commissions paid to the agents on new product lines and agents operating in the international markets. The decrease of Marketing and advertising for 13.8% is due both to timing effect and to spending rationalization; the decrease of External works for 11.8% is mainly due to a different product mix.

Rent. Rent increased by Euro 3.9 million, or 42.0%, to Euro 13.2 million for the period ended September 30, 2015 from Euro 9.3 million for the same period of 2014. The rise in rent was primarily due to the opening of 12 new DOS and Outlet in the past 12 months (net of the store closing for relocation that occurred in the period under review, Valmontone Outlet). Rent expenses show an increase in term of percentage of revenue due to the international expansion where costs are higher in comparison with domestic market. Furthermore the costs are fully incurred whereas sales are in a development stage.
The increase in "Rent expenses for headquarters" for Euro 0.2 million is mainly due to the fact that at the end of 2Q 2014 were signed two lease contracts for TS East and TS Shoes headquarters.

The table below sets forth the breakdown of rent for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30,	Nine months ended September 30,	Change	% Change
	2015	2014		
Rent expenses for shop, outlet and showroom	11,845	8,264	3,581	43.3%
Rent expenses for headquarters	871	681	190	27.9%
Other rent expenses	455	331	124	37.5%
Total rent	**13,171**	**9,276**	**3,895**	**42.0%**
% of Revenue	*6.5%*	*5.2%*		

Personnel costs. Personnel costs increased by Euro 4.4 million, or 24.5%, to Euro 22.2 million in the nine months of 2015 from Euro 17.8 million for the same period of 2014. As a percentage of revenue, Personnel costs increased by 0.8 p.p. to 10.9% for the period ended September 30, 2015 from 10.1% for the same period of 2014, mainly due to the opening of the new point of sales, which required additional retail employees and further support from the headquarter to handle the increased business volume; store Personnel costs follow the same pattern of rent costs.

The table below sets forth the breakdown of Personnel costs for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30,	Nine months ended September 30,	Change	% Change
	2015	2014		
Wages and salaries	16,658	13,248	3,410	25.7%
Social security contributions	4,603	3,753	850	22.6%
Employee severance indemnities	943	833	110	13.2%
Other costs	-	1	(1)	(100.0%)
Total personnel costs	**22,204**	**17,835**	**4,369**	**24.5%**
% of Revenue	*10.9%*	*10.1%*		

The table below sets forth the breakdown of employees by category for the nine months ended September 30, 2014 and 2015.

	As of September 30, 2015		As of September 30, 2014		Change	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	7	1	6	1	1	-
Managers	16	3	14	3	2	-
Clerical/administrative staff	248	7	214	6	34	1
Workers	51	2	63	-	(12)	2
Retail staff	308	177	280	118	28	59
Total employees number	**630**	**190**	**577**	**128**	**53**	**62**
Combined total employees (Italy and abroad)	**820**		**705**		**115**	

Amortization and depreciation. Amortization and depreciation decrease by Euro 2.9 million to Euro 17.1 million for the nine months of 2015 from Euro 20.0 million for the nine months of 2014. The decrease in amortization and depreciation is due to the combined effect of the following factors: a decrease of Euro 5.1 million due to the closure of a loan disbursed in 2012 to the Company by a banking syndicate led by Unicredit SpA; the increase of amortization cost for Key Money and leasehold improvements paid for new store openings.

The table below sets forth the breakdown of depreciation and amortization for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Amortization of intangible fixed assets	15,180	18,481	(3,301)	(17.9%)
Depreciation of tangible fixed assets	1,927	1,527	400	26.2%
Total amortization and depreciation	**17,107**	**20,008**	**(2,901)**	**(14.5%)**

Operating profit. Operating profit increased by Euro 9.8 million, to Euro 21.8 million for the period ended September 30, 2015 from Euro 12.0 million for the same period of 2014. As a percentage of revenue, operating profit increased by 3.9 percentage points to 10.7% in 2015 from 6.8% in the same period of 2014.

This result is primarily due to positive effects of volume and channel mix, partially offset by slightly higher discount during summer sale period; opex management through primarily rationalization of Marketing, Sample and Logistics costs to compensate higher personnel, rent costs and agent commission mainly incurred to operate in foreign markets; slowed down retail expansion allowed to better balance Sales and Opex growth, while operating 13 additional point of sales from fourth quarter 2014 (of which 6 abroad). A positive effect is brought also by what described in the previous paragraph "Amortization and depreciation".

Financial income/(expenses). Financial expenses increased by Euro 2.2 million to Euro 12.0 million in the nine months of 2015 from Euro 9.8 million in the same period of 2014. The increase was primarily due to the interests paid on Euro 150 million Senior Secured Floating Rate Notes issued on July 22, 2014.

The table below sets forth the breakdown of financial expenses for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Other financial income	74	47	27	57.4%
Interest and other financial expenses	(11,221)	(9,340)	(1,881)	20.1%
Foreign exchange gains and losses	(807)	(473)	(334)	70.6%
Total financial income and expenses	**(11,954)**	**(9,766)**	**(2,188)**	**22.4%**
% of Revenue	*(5.9%)*	*(5.5%)*		

Income tax. Income tax increased by Euro 3.6 million to Euro 7.4 million for the period 2015 from Euro 3.8 million for the same period in 2014 due to the higher Result before taxes realized in the period.

Result for the period. The profit for the period is Euro 2.2 million for the nine months ended September 30, 2015 compared to a loss of Euro 2.2 million for the nine months ended September 30, 2014 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 Euro150 million Senior Secured Floating Rate Notes (the "Notes") and loans from shareholders.

Cash flow

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

€/000	Nine months ended September 30,	Nine months ended September 30,
	2015	2014 [1]
Total net cash at the beginning of the period	**31,308**	**14,290**
Cash flow provided by/(used in) operating activities	7,938	6,386
Cash flow provided by/(used in) investing activities	(6,637)	(29,229)
Cash flow provided by/(used in) financing activities	(8,335)	31,002
Cash flow for the period	**(7,034)**	**8,159**
Total cash and cash equivalents of the period	**24,274**	**22,449**

(1) The amounts as of September 30, 2014 were reclassified to make them comparable with those as of September 30, 2015

Cash flow for the first nine months ended September 30, 2015 was negative for Euro 7.0 million compared to a positive cash flow for Euro 8.2 million for the nine months ended September 30, 2014 although at the operating level the cash flow provided during the first nine month of 2015 was greater compared to the same period of the last year by Euro 1.6 million.

Cash flow used in investing activities is related mainly to the capital expenditure for opening new DOS and in small part for investments in technology. In the nine months of 2015 capital expenditure for opening new DOS was trimmed compared to the same period of the last year as part of our strategy to be more focused on the current retail network in order to improve efficiency and increase profitability after 2 years of heavy investments in the network expansion.
The cash flow used by financing activities in the nine months of 2015 is mainly related to the payment of the Coupon of the Bond and in small part to the repayment of minor bank loans; while in the same period of last year, the cash flow by financing activities was positive thanks to the proceed of the Bond issuance.

Capital expenditures

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

€/000	For the nine months ended September 30,	As of December 31,	Change	% Change
	2015	2014		
Expansion	4,660	21,444	(16,784)	(78.3%)
Maintenance	1,115	1,729	(614)	(35.5%)
Headquarter	906	9,258	(8,352)	(90.2%)
Acquisition-related	-	1,610	(1,610)	(100.0%)
Total capital expenditures	**6,681**	**34,041**	**(27,360)**	**(80.4%)**

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

- **Expansion:** includes key money and renewal paid for the new stores opened (6 DOS and 4 Outlet for the nine months ended September 30, 2015 against 18 DOS and 3 Outlet in 2014).

- **Maintenance:** principally includes expenses for operating software development and the restructuring of the existing stores.

- **Headquarter:** includes mainly project-related IT investments and non-recurring costs.

The category "Headquarter" includes mostly IT investments and specifically the project of a Group ERP system. Furthermore the growth and international expansion plan of the Group created the need to study an action plan in order to improve the information system, designed to support and strengthen the company growth process and operations management. It was therefore developed an integrated system for managing Group's data, both technical and economic. In 2014 the amount also included charges incurred for the issue of the Bond of Euro 6.2 million.

Operating working capital

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

€/000	As of and for the nine months ended September 30,	As of and for the year ended December 31,	Change	% Change
	2015	2014 [(1)]		
Inventories	44,990	59,279	(14,289)	(24.1%)
Trade Receivables	72,113	40,706	31,407	77.2%
Trade Payables	(38,060)	(55,365)	17,305	31.3%
Operating Working Capital [(2)]	**79,043**	**44,620**	**34,423**	**77.1%**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of September 30, 2015
(2) Operating Working Capital is calculated as the sum of inventory net of slow moving provision, trade receivables net of bad debt provision and net of provision for returns, less trade payables and client/supplier advances

Operating working capital (which represents the Net Working Capital gross of other current assets and liabilities) typically follows seasonal sales trends in our industry. Operating working capital as of September 30, 2015 was Euro 79.0 million, increasing Euro 34.4 million from December 31, 2014.

Inventory decrease by 24.1% compared to December 31, 2014 due to the seasonality of our business that generally peaks in December and June on the launch of our spring/summer collections and fall/winter collections, respectively. The amount is also positively affected by the improved demand planning process.

The increase in Trade Receivables is due to seasonal sales trends, wholesale sales volume is higher in the third quarter than in the fourth quarter. The amount is aligned with the value in the same period of the previous year.

The decrease in Trade Payables compared to December 31, 2014 is mainly due to the considerable reduction in investments (in capital expenditure) in the first nine months of 2015, the anticipation of the delivery of some lines (i.e. Jeans and Twinset pre-collection), the FW15 reduced buying volume and finally to the seasonal purchase trend.

Net financial indebtedness

The following table sets forth our Net financial indebtedness as of December 31, 2014 and as of September 30, 2015.

Net financial indebtedness (€/000)	**As of September 30, 2015**	**As of Decemeber 31, 2014**
Cash and cash equivalents	24,274	31,308
Bank overdrafts	(83)	(297)
Total net cash	**24,191**	**31,011**
Bank loans-current portion [1]	(4,811)	(3,626)
Bank loans-non current portion	(208)	(751)
Bank loans	**(5,019)**	**(4,377)**
Bond	**(150,000)**	**(150,000)**
Net financial indebtedness [2]	**(130,828)**	**(123,366)**
of which:		
Net financial indebtedness-current portion	*19,380*	*27,385*
Net financial indebtedness-non-current portion	*(150,208)*	*(150,751)*

(1) Bank loans include accrued interests on Bond, bank loans and fair value of derivative financial instruments.
(2) Net financial indebtedness is calculated as total net financial debt excluding amounts due under the Shareholders' Loan.

As of September 30, 2015, our Net financial indebtedness amounted to Euro 130.8 million compared to Euro 123.4 million as of December 31, 2014. At the end of the nine months of 2015, cash and cash equivalents are Euro 24.3 million compared to Euro 31.3 million at year end 2014.

Major source of financing is Euro 150.0 million Senior Secured Floating Rate Notes with maturity on July 15, 2019 and residual Bank loans for Euro 1.1 million and accrued interests on bond for Euro 1.9 million.

The Notes rated B1 by Moody's and B by Standard & Poor's bear interest at a rate equal to three-month Euribor plus 5.875% per annum, reset quarterly.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding at September 30, 2015, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for DOS/Outlets, Showrooms and other buildings.

€ in millions	**Expected cash payments falling due in the year (s) ending December 31,**			
	2015	**2016-2019**	**2020 and thereafter**	**Total**
Notes offered hereby	-	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets [1]	3.4	55.6	33.6	92.6
Rent and operating leases commitments for Showroom [1]	0.1	1.0	0.3	1.4
Rent and operating leases commitments for Civil and Industrial Buildings [1]	0.1	1.8	-	1.9
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes [1]	0.1	0.6	-	0.7
Total	**3.7**	**209.0**	**33.9**	**246.6**

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

Off-balance sheet arrangements

The following table summarizes the commitments related to guarantees provided by credit institutions on behalf of the group in connection with contractual obligations undertaken on the signing of rental contracts, as well as the fair value of hedging derivatives transaction purchased to hedge the USD currency rate risk and interest rate.

€/millions	As of September 30, 2015	As of December 31, 2014	Change	% Change
DOS and Outlet rental guarantees	6.00	6.58	(0.58)	(8.8%)
Derivatives	(2.00)	(0.24)	(1.76)	>100%
Total	**4.00**	**6.34**	**(2.34)**	**(36.9%)**

TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

€/000	As of September 30, 2015	As of December 31, 2014 (1)
Assets		
Intangible assets	248,530	259,513
of which goodwill	*186,364*	*194,931*
Property, plant and equipment	12,156	11,703
Other financial assets	1,112	1,304
Total intangible assets, PP&E and other financial assets	**261,798**	**272,520**
Inventories	44,990	59,279
Trade receivables	75,303	43,587
Tax receivables	2,120	4,994
Deferred tax assets	8,909	7,797
Other receivables	673	722
Cash and cash equivalents	24,274	31,308
Total current assets	**156,269**	**147,687**
Other accrued income and prepaid expenses	1,913	1,259
Issue discount	1,142	1,366
Total accrued income and prepaid expenses	**3,055**	**2,625**
Total assets	**421,122**	**422,832**

€/000	As of September 30, 2015	As of December 31, 2014 (1)
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,102	134,071
Retained earnings	(13,976)	(498)
Profit/(loss) for the period	2,198	(13,636)
Total Group Shareholders' equity	**122,846**	**120,459**
Equity attributable to non-controlling interests	290	269
Total Shareholders' equity	**123,136**	**120,728**
Liabilities		
Provisions for risks and charges	7,325	4,674
Deferred tax liabilities	7,500	7,768
Provisions for employee severance indemnities	706	697
Bonds	150,000	150,000
Shareholder loan	73,866	70,188
Bank loans	1,199	2,496
Client advances	466	1,263
Trade payables	38,136	55,993
Tax payables	11,060	2,519
Social security payables	728	1,169
Other payables	4,981	3,259
Accrued expenses and deferred income	2,019	2,078
Total liabilities	**297,986**	**302,104**
Total liabilities and shareholders' equity	**421,122**	**422,832**
Memorandum accounts		
Guarantees	5,965	6,573
Other memorandum accounts	36,570	22,441
Total memorandum accounts	**42,535**	**29,014**

[1] The amounts as of December 31, 2014 were reclassified to make them comparable with those as of September 30, 2015

CONSOLIDATED INCOME STATEMENT

€/000 Consolidated Income Statement	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue	203,060	177,173
Other income and internally generated assets	2,261	1,715
Change in work in progress, semifinished and finished product inventories	(15,613)	(10,855)
Total revenue and income	**189,708**	**168,033**
Purchase of raw materials, goods and changes in inventory	(57,703)	(53,874)
Cost of services	(52,767)	(51,718)
Rent	(13,171)	(9,276)
Personnel costs	(22,204)	(17,835)
Depreciation and Amortization	(17,107)	(20,008)
Write-downs of trade receivables	(2,772)	(1,700)
Provisions	(150)	(370)
Other operating costs	(2,032)	(1,221)
Total operating costs	**(167,906)**	**(156,002)**
Operating profit	**21,802**	**12,030**
Financial income/(expenses)	(11,954)	(9,766)
Extraordinary income/(expenses)	(257)	(662)
Profit/(loss) before tax	**9,591**	**1,602**
Income tax	(7,398)	(3,844)
Profit/(loss) for the period	**2,193**	**(2,241)**
Attributable to the Group	2,198	(2,229)
Attributable to non-controlling interests	*(5)*	*(13)*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€/000	Share capital	Share premium reserve	Legal reserve	Foreign Exchange gains reserve	Translation reserve	Retained earnings SPA	Retained earnings OTHERS	Profit/(loss) for the year	Total
As of December 31, 2013	**522**	**160,195**	**-**	**-**	**-**	**(2,090)**	**-**	**3,360**	**161,987**
Allocation of previous period profit			104	95		3,535	(375)	(3,360)	-
Dividend distribution		(26,355)				(1,445)			(27,800)
Loss for the year								(13,636)	(13,636)
Change to translation reserve					31				31
Change to consolidation reserve							(123)		(123)
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**31**	**-**	**(498)**	**(13,636)**	**120,459**
Allocation of previous period profit						(7,197)	(6,437)	13,636	-
Dividend distribution									-
Profit/(loss) for the period								2,198	2,198
Change to consolidation reserve					32		156		188
As of September 30, 2015	**522**	**133,840**	**104**	**95**	**63**	**(7,197)**	**(6,779)**	**2,198**	**122,846**
Total Group Shareholders' equity									**122,846**
- Capital and reserves attributable to non-controlling interests									295
- Profit/(loss) for the year attributable to non-controlling interests									(5)
Total equity attributable to non-controlling interests									**290**
Total Shareholders' equity									**123,136**

CONSOLIDATED CASH FLOW STATEMENT

€/000	30/09/2015	30/09/2014
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31,308	14,290
Net cash flow from operating activities		
Profit/(loss) for the period	**2,193**	**(2,241)**
Income taxes	7,398	3,844
Amortization	15,180	18,481
Depreciation	1,927	1,526
Financial interest/(income)	11,147	9,293
Gains/losses of disposal	20	-
Change in bad debt provision	852	1,190
Change in slow moving provision	2,689	1,491
Change in provision for risks and charges	2,651	(145)
Change in employee severance indemities	10	20
Cash flow from operating activities before changes in net working capital	**44,067**	**33,459**
Change in inventories	11,600	4,827
Change in trade receivables	(32,569)	(35,224)
Change in trade Payables	(17,857)	(1,695)
Change in client advance	(797)	(943)
Change in other payables/receivables	4,756	6,378
Change in suppliers advance	551	161
Change in net working capital	**(34,316)**	**(26,496)**
Income taxes paid	(1,813)	(577)
NET CASH FLOW FROM OPERATING ACTIVITIES	**7,938**	**6,386**
Net cash flow from investing activities		
Investment in intangible assets	(4,237)	(22,381)
Investments in property, plant and equipment	(2,444)	(5,865)
Disposal of assets	44	187
Consideration paid for business combination	-	(1,170)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(6,637)**	**(29,229)**
Net cash flow from financing activities		
Bank loans received	-	7,000
Repayment of loans	(1,082)	(78,769)
Bond issue	-	148,500
Repayment of shareholder loan	-	(12,200)
Other changes in net equity	215	-
Dividend paid	-	(27,800)
Net financial interest paid	(7,253)	(5,349)
Bank overdraft	(215)	(380)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(8,335)**	**31,002**
NET CASH FLOW FOR THE PERIOD	**(7,034)**	**8,159**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**24,274**	**22,449**

EXPLANATORY NOTES

GENERAL INFORMATION

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

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* and should be read in conjunction with the Twin Set – Simona Barbieri annual consolidated financial statements for the year ended December 31, 2014 (the "Twin Set – Simona Barbieri Consolidated Financial Statements at December 31, 2014"), which have been prepared in accordance with General Accepted Accounting Principles in Italy (Italian GAAP) The accounting policies adopted are consistent with those used at December 31, 2014, and are described in following paragraphs.

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, 2014, while the consolidated income statement presents amounts related to the nine months period ended September 30, 2014, for comparative purposes.
All amount 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 November 23, 2015.

CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Consolidation area and basis of consolidation

		(€/000)				(€/000)	
Company	Country	Net Profit/(loss)	Net Equity	Year-End	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	8,442	135,807	30/09/2015			
TS SHOES SRL	Italy	1,087	5,220	30/09/2015	80%	1,477	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	(9)	329	30/09/2015	90%	45	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(2,436)	(1,860)	30/09/2015	100%	2,051	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(574)	373	30/09/2015	100%	1,793	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(949)	(441)	30/09/2015	100%	1,405	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(971)	(509)	30/09/2015	100%	1,653	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	(12)	(1,439)	30/09/2015	80%	841	Line-by-line
TS SIMONA BARBIERI EAST LLC	Russia	(956)	(1,539)	30/09/2015	80%	-	Line-by-line

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 most significant accounting policies adopted in the preparation of the Interim Consolidated Financial Statements, consistent with those adopted for the preparation of Twin Set – Simona Barbieri Consolidated Financial Statements at December 31, 2014, are the following:

Intangible assets

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

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

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

Amortization

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

INTANGIBLE ASSETS	PERIOD
Start up and formation expenses	5 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	18/20 years
Goodwill	10/20 years/duration of underlying contracts (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contracts (residual loan or rental duration)

Property, plant and equipment

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

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

Property, plant and equipment are written-down 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 residual utilization value, 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%
Assets lower than Euro 516 (for Italy)	100%

For property, plant and equipment acquired during the year, the above-mentioned rates are reduced by half, considered as representative of the lower utilization of these assets, presuming that their participation in the production process is on average half of the year.
For Italian companies, assets with a cost of less than Euro 516 are expensed as incurred.

Other financial assets

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

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

Current Assets

Inventories

Inventories are measured at the lower of costs 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 determination of the purchase cost, reference is made to the actual cost incurred, including any directly allocated acquisition costs including transport and customs expenses, less any commercial discounts.

For the products already produced or in the course of production, the historical cost adopted is the production cost. 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 value at historical cost in accordance with the above-mentioned criteria, due to reduction in sales prices, deteriorated, obsolescent or slow moving goods, the net realizable value is applied for the goods, finished products, semi-finished products and products in work in progress, and the replacement cost for raw materials, consumables and ancillary and for semi-processed products.

Receivables

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

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value.

Provisions for risks and charges

The provisions for risks and charges are recorded on the basis of the principle of prudence and accruals and are recorded in order to cover known or probable losses or liabilities, for which the amount or due date could not be determined at year-end.
The provisions reflect the best estimate on the basis of available information at the reporting date. The valuation of risks and charges which are dependent on future events considers also the information available after the year-end and up to the preparation of the present financial statements.
Potential liabilities which are only considered possible to occur are described in the notes without recording any provision.

Employee severance indemnities

The employee severance indemnities recorded in the Consolidated Financial Statements represent the actual debt of the Company with its employees at the reporting date, net of any advances made 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.
These liabilities are subject to index-linked revaluation.

Payables

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

Accrued income and prepaid expenses

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.

Memorandum accounts

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

Revenues and Costs

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), discounts and premiums.

Income taxes

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

- the current taxes paid or to be paid, determined in 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 Consolidated Financial Statements and the corresponding fiscal values, arising or cancelled in the year.

In compliance with the prudence principle, deferred tax liabilities on the taxable equity reserve are not recorded only if 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.

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

September 30, 2015. Gains and losses arising from the translation of the individual current receivables and payables are respectively credited and debited to the income statement as financial items (Item C.17 -bis). Any net gain from the translation of the foreign currency amounts, deriving from the valuation at year-end and recorded in the income statement, is recorded in a specific non-distributable reserve until the gain is realized.

Derivative instruments

The Group holds derivative financial instruments in order to hedge its exposure to interest rate and exchange rate risks.
Derivative contracts are considered hedging contracts as there is a high correlation between the technical/financial features (maturity, amount, rates) of the assets or liabilities hedged and the financial instrument and these features are appropriately documented.
Derivative contracts which do not have the above features are considered speculative contracts and their loss in value is recognized through the income statement at the end of each year.

Use of estimates

The preparation of the Consolidated Financial Statements requires management's estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the 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.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

The following schedules illustrate the changes in the intangible and tangible and are illustrated by individual asset category: the purchase or production cost, the accumulated amortization and depreciation at the beginning of the year, the acquisitions, the disposals and the net book value.

Intangible assets

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

Account	As of December 31, 2014			Changes in the year					As of September 30, 2015			
€/000	Historical cost	Accumulated ammortization	Net book value	Additions	Reclass.	Decreases		Amortization	Exchange difference	Historical cost	Accumulated ammortization	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	Historical cost	Acc. amort.	2015	2015	30/09/2015	30/09/2015	30/09/2015
Start up and formation expenses	1,357	(541)	817	20	-	-	-	(171)	-	1,377	(711)	665
Industrial patents and intellectual property rights	4,564	(2,410)	2,153	1,020	2,302	-	-	(1,181)	-	7,885	(3,592)	4,293
Concession, licenses, trademarks and similar rights	29,307	(3,415)	25,892	116	-	-	-	(1,185)	-	29,423	(4,600)	24,823
Goodwill	218,165	(23,234)	194,931	298	-	-	-	(8,864)	-	218,463	(32,098)	186,364
Assets in progress and advances	2,586	-	2,586	84	(2,463)	(20)	-	-	3	190	-	190
Other intangible assets	40,987	(7,852)	33,135	2,699	161	(5)	3	(3,779)	(19)	43,823	(11,628)	32,195
Total intangible assets	**296,965**	**(37,452)**	**259,513**	**4,237**	**-**	**(25)**	**3**	**(15,180)**	**(16)**	**301,161**	**(52,630)**	**248,530**

The <u>Start up and formation expenses</u>, amounting to Euro 665 thousand, include incorporation expenses and formation expenses incurred by the Parent Company and its subsidiaries.

The account <u>Industrial patents and intellectual property rights</u> includes the costs for software licenses for indefinite use, principally held by the Parent Company.
The increases and reclassifications of the period, amounting to Euro 3.322 thousand, principally concern, for Euro 3.305 thousand costs incurred by the Parent Company for IT consultancy, of which Euro 3.009 thousand (Euro 2,302 thousand related to investments made last year), for the purchase and implementation of the new Oracle JD Edwards operating system. The increase includes also: Euro 174 thousand for the implementation of the MPsoft operating system, Euro 30 thousand for the introduction of the "PLM" software, designed for the management of product technical information, Euro 45 thousand of costs incurred for the Shopping On line project, Euro 25 thousand for the analysis, application and customization of the retail channel software "Store 2" in the new stores opened in 2015 and the installation of StoreWeb in the franchised stores (this software enables immediate consultation of the sales performance of each individual article).

The account Concessions, licenses, trademarks and similar rights reflects at September 30, 2015 the net book value of brands "TWIN - SET Simona Barbieri" and "SCEE by TWIN - SET", in relation to which the Parent Company made investments – Euro 116 thousand - for maintenance and/or new registrations of existing trademarks.
This account includes also the allocation of purchase price excess arising from the merger of Light Force and Fuori dal Sacco 2 as described in details on previous years Twin Set – Simona Barbieri financial statements (the "Merge") for Euro 27,380 thousand ("premium paid") to the main trademark "TWIN - SET Simona Barbieri", which is amortized on a straight-line basis over twenty years (the net book value at 30 September, 2015 of TWIN-SET Simona Barbieri brand amounting to Euro 24,295 thousand).

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

€/000	Initial historical cost	Revaluation L. 266/2005	Cumulative increases	Allocation premium price	Historical cost as of September 30, 2015
"Twin Set - Simona Barbieri" trademark	8	1.000	271	27.380	28.659

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 Twin-Set 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 account Goodwill, amounting to Euro 186,364 thousand, refers for Euro 175,536 thousand, the net book value of goodwill resulting from the allocation of premium paid arising from the Merge, amortized on a straight-line basis over twenty years. The account also includes the costs incurred by the Parent Company and its subsidiaries with reference to the commercial goodwill acquired within the Retail development (the net book value at 30 September, 2015 is Euro 9,904 thousand).
The increase in the period is due to the goodwill paid by the Parent Company for the acquisition of the store in Salerno for Euro 298 thousand.

The increase in the account Assets in progress and advances, amounting to Euro 84 thousand, is attributable to the Parent Company.

The Other intangible assets amounting to Euro 32,195 thousand and principally comprise leasehold improvements (Euro 9,690 thousand), Key money for strategic locations (Euro 17,811 thousand) and charges incurred for the issuance of the Bond (Euro 4,690 thousand).
The additions and reclassifications of the period, amounting to Euro 2,860 thousand, mostly concern investments made by the Parent Company for Euro 1,720 thousand for Siena, Catania, Salerno, Agira girl Outlet, Barberino Outlet and for the restyling of Milano Showroom, TS Spain for Euro 960 thousand for the opening of Puerto Banus store, TS East for Euro 157 thousand were invested mainly for the opening of Moscow Boutique and Moscow Outlet.

Impairments

Intangible assets were amortized on a straight-line basis as illustrated above. In addition, during the year no indicators of impairment arose and therefore the carrying amount was not subject to an impairment test in accordance with OIC 9.

Property, plant and equipment

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

Account	As of December 31, 2014			Changes in the year					As of September 30, 2015			
€/000	Historical cost	Accumulated ammortization	Net book value	Additions	Reclass.	Decreases		Depreciation	Exchange difference	Historical cost	Accumulated depreciation	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	Historical cost	Acc.deprec.	2015	2015	30/09/2015	30/09/2015	30/09/2015
Land and buildings	30	(8)	22	-	-	-	-	(2)	-	30	(10)	19
Plant and machinery	13,126	(7,583)	5,542	966	30	(13)	7	(716)	-	14,108	(8,292)	5,816
Industrial and commercial equipment	1,208	(803)	405	253	-	(18)	12	(243)	30	1,473	(1,034)	440
Other tangible assets	9,763	(4,060)	5,703	1,198	2	(85)	56	(966)	(55)	10,823	(4,970)	5,853
Construction in progress and advances	32	-	32	27	(32)	-	-	-	0	27	-	27
Total tangible assets	**24,159**	**(12,455)**	**11,704**	**2,444**	**-**	**(116)**	**75**	**(1,927)**	**(24)**	**26,462**	**(14,306)**	**12,156**

Land and buildings, amounting to Euro 19 thousand, refers to light constructions.

The Plant and machinery account includes specific and general plant, installed at the premises, factories and warehouses, as well as at the stores and Outlets, of weaving and production machinery.
The increases and the reclassifications of the period, totaling Euro 996 thousand, concern investments by the Parent Company (for Euro 768 thousand) and its subsidiaries (Euro 228 thousand, of which Euro 185 thousand relates to TS Spain, Euro 26 thousand relates to TS Germany, Euro 12 relates to TS Shoes and Euro 5 thousand relates to TS France), principally for the installation of electric, lighting and video-surveillance plant at the new stores and Outlets.

Industrial and commercial equipment mainly includes equipment for the ironing phase and commercial equipment.
The increases, amounting to Euro 253 thousand, primarily refer to the purchase of fittings for the new commercial openings during the period and in particular: Catania, Salerno, Siena and the restyling of Show Room of Milan in Italy (totaling Euro 56 thousand); the Puerto Banus store in Spain (totaling Euro 8 thousand).
The residual part of the increases relate to the subsidiary Twin Set Shoes for Euro 116 thousand, the Parent Company, for Euro 53 thousand, and TS Germany for Euro 7 thousand, for the maintenance of the existing stores.

The Other tangible assets principally comprise furniture and fittings, EDP and transport and motor vehicles.
The increases of the period, amounting to Euro 1,200 thousand refers to the purchase of ordinary assets and costs incurred for the installation of EDP in the new stores.
The increase, in particular, refers for Euro 734 thousand to the Parent Company, for Euro 108 thousand to TS Spain, for Euro 350 thousand to TS East, for Euro 11 thousand to TS Germany and Euro 9 thousand to TS Shoes.

Other financial assets

The account amounts to Euro 1,112 thousand (Euro 1,304 thousand as of December 31, 2014) and refers to security deposits paid by the Parent Company and its subsidiaries.

Current Assets

Inventories

The changes in inventories are shown in the table below:

€/000	As of September 30, 2015	As of December 31, 2014	Change	Change %
Raw materials, consumables and goods	6,349	5,476	873	15.9%
Work-in-progress and semi-finished products	1,429	4,863	(3,434)	(70.6%)
Finished goods	37,212	48,940	(11,728)	(24.0%)
Total inventories	**44,990**	**59,279**	**(14,289)**	**(24.1%)**

€/000	As of December 31, 2014	Provisions	As of September 30, 2015
Raw materials, consumables and goods obsolescence provision	(1,247)	(360)	(1,607)
Work-in-progress and semi-finished products obsolescence provision	-	-	-
Finished goods obsolescence provision	(7,807)	(2,329)	(10,136)
Total obsolescence provision	**(9,054)**	**(2,689)**	**(11,743)**

The inventories consist of:

- Raw materials, consumables and goods of Euro 6,349 thousand, net of the obsolescence provision of Euro 1,607 thousand relating to yarns, textiles and accessories;
- Work in progress and semi-finished products, amounting to Euro 1,429 thousand, referring to clothing and garments in production not completed at year end;
- Finished goods, amounting to Euro 37.212 thousand, net of the relative obsolescence provision of Euro 10,136 thousand comprise garments produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

Inventory decrease compared to December 31, 2014 due to the seasonality of our business that generally peaks in December and June on the launch of our spring/summer collections and fall/winter collections, respectively.
The obsolescence provision, amounting to Euro 11,743 thousand, recorded as a direct reduction of inventories as of September 30, 2015, refers to the adjustments to the value of inventories for the effects of slow moving raw materials and finished goods and the lower realizable value of stock and garments of previous seasons. Such obsolescence has been calculated considering the increase in the expected time necessary to sell the old collections through “stockists” and the lower realizable value.

Receivables

The changes in receivables are shown in the table below:

€/000	As of September 30, 2015	As of December 31, 2014	Change	% Change
Trade receivables	75,303	43,587	31,716	72.8%
Tax receivables	2,120	4,994	(2,874)	(57.5%)
Deferred tax assets	8,909	7,797	1,112	14.3%
Other receivables	673	722	(49)	(6.8%)
Total receivables	**87,005**	**57,100**	**29,905**	**52.4%**

Trade receivables, amounting to Euro 75,303 thousand (Euro 43,587 thousand as of December 31, 2014), refer to receivables for the sale of products produced and distributed by the Parent Company for Euro 74,756 thousand, by the subsidiary Tessitura Sidoti for Euro 477 thousand and by the subsidiary Twin Set Shoes for Euro 63 thousand. The increase in trade receivables is mainly due to the expansion of our business activities.

The receivables are reported net of the doubtful debt provision, amounting to Euro 5,438 thousand as of September 30, 2015, accrued against the risk of potential losses. The movements of the provision in the period are as follows:

€/000	As of December 31, 2014	Provision	Utilizations	As of September 30, 2015
Doubtful debt provision	4,586	2,772	(1,920)	5,438
Total	**4,586**	**2,772**	**(1,920)**	**5,438**

Utilization amount includes Euro 1,304 thousand related to trade receivables sold in January to the shareholders as previously described in “Recent Development” paragraph.

Tax receivables, amounting to Euro 2,120 thousand, principally comprise VAT receivables from the tax authorities in the respective countries for Euro 1,161 thousand (Euro 3,572 thousand as of December 31, 2014) of which Euro 482 thousand refers to TS East, Euro 491 thousand refers to TS Germany, Euro 171 thousand refers to TS Shoes, Euro 14 thousand refers to Tessitura Sidoti and Euro 3 thousand refers to TS Holland. The account also includes the IRES reimbursement receivable pursuant to Legislative Decree 201/2011 of the Parent Company amounting to Euro 242 thousand, the VAT reimbursement requested by the Parent Company for Euro 211 thousand and by the subsidiary TS Spain for Euro 203 thousand and other tax receivables of Euro 303 thousand.

The Deferred tax assets, amounting to Euro 8,909 thousand, refer to temporary differences fiscally deductible in future years.

Other receivables of Euro 673 thousand, principally refer to Parent Company (Euro 395 thousand), TS Germany (Euro 129 thousand) and TS Shoes (Euro 119 thousand) and relate to receivables from suppliers and customers not offset with payables at September 30, 2015 for advances and credit notes to be received, for Euro 518 thousand (Euro 511 thousand as of December 31, 2014) and receivables from employees for Euro 121 thousand, of which Euro 107 thousand refer to Parent Company.

Cash and Cash equivalents

The account includes Euro 24,104 thousand related to bank and postal accounts and Euro 170 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 includes accrued income concerning cost of services and prepaid expenses mainly related to marketing expensive, utilities and rentals.
There are no accrued income and prepaid expenses with duration of more than five years.

Issued discount

The account amounts to Euro 1,142 thousand (Euro 1,366 thousand as of December 2014) and includes the discount on the issue of the Bond loan.

Net Equity

The movement in Equity relates primarily to the allocation of losses carried forward and the result of the period.

Provisions for risks and charges

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

€/000	As of December 31, 2014	Provision	Utilizations	As of September 30, 2015
Provision for pensions and similar obligations	2,594	1,618	(94)	4,118
Other provision for risks and charges	461	150	(129)	482
Provision for returns	1,619	3,251	(2,146)	2,724
Total provisions for risks and charges	**4,674**	**5,019**	**(2,369)**	**7,324**

The Provision for pensions and similar obligations refers to the amount due to sales representatives for future contract terminations.
The utilizations concern sums paid for the termination of agency contracts. Provisions were determined in accordance with the National Agents' Agreement for Italian agents and to sector practice for foreign agents. These amounts were recorded under cost of services in the Income Statement.

The Provisions for risks and charges include the risk provision concerning potential disputes with third parties amounting to Euro 482 thousand, exclusively related to TS Italy. In the nine months of 2015, Euro 150 thousand have been accrued for lawsuits with foreign agents with whom the Company has discontinued the agency contracts.

The Provision for returns on sales is accrued on the basis of the estimated and expected returns relating to sales made during the period, whose provision in the year was deducted from the revenues account.

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

Deferred tax liabilities

The account mainly refer to the deferred tax effect over the amount allocated to the trademark "TWIN – SET Simona Barbieri" following the Merge.

Provision for employee severance indemnities

The provision reflects the liability of the Italian companies as of September 30, 2015 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 September 30, 2015	As of December 31, 2014	Change	% Change
Bonds	150,000	150,000	-	0%
Shareholder loan	73,866	70,188	3,678	5%
Bank loans	1,199	2,496	(1,297)	(52.0%)
Client advances	466	1,263	(797)	(63.1%)
Trade payables	38,136	55,993	(17,857)	(31.9%)
Tax payables	11,060	2,519	8,541	>100%
Social security payables	728	1,169	(441)	(37.7%)
Other payables	4,981	3,259	1,722	52.8%
Total payables	**280,436**	**286,887**	**(6,451)**	**(2.2%)**

Bonds reflect the nominal value of the Senior Bond Loan ("Bond") of Euro 150,000 thousand, issued on July 22, 2014 at a price of Euro 0.99, with maturity on July 15, 2019. The Bond (High Yield Bond), on which interest matures quarterly, indexed to the Euribor at 3 months increased by a spread of 5.875%, with a B1 rating from Moody's and a B rating from Standard & Poor's and listed on the ExtraMot market of the Italian Stock Exchange, is exclusively available to qualified investors.

Shareholders loans concern the shareholder for Euro 73.866 thousand, including interest matured in the nine months of 2015. The loan matures in 2020, with capitalized interest at an annual rate of 7%. The Shareholders loan has been purchased by The Carlyle Group on 1st July, 2015 from Mo.Da Gioielli Srl as described in "Recent development".

Bank loans consist of bank overdrafts totaling Euro 82 thousand (Euro 297 thousand as of December 31, 2014) attributable to Tessitura Sidoti and loans totaling Euro 1,117 thousand (Euro 2,199 thousand as of December 31, 2014) refers to Parent Company.

The following table reports a breakdown of bank loans as of September 30, 2015 and the changes during the period:

€/000	As of December 31, 2014	Changes in the year		As of September 30, 2015	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	411	(153)	-	258	29/12/2016	206	52	258	-
CARIGE	165	(122)	-	43	31/12/2015	42	-	42	-
BPER (3564210)	692	(228)	-	464	29/01/2017	309	156	465	-
BPER - SACE (2895788)	569	(426)	-	143	30/12/2015	143	-	143	-
BANCA POP. COMM.& IND.	362	(154)	-	208	21/09/2016	209	-	209	-
Total	**2,199**	**(1,083)**	**-**	**1,116**		**909**	**208**	**1,117**	**-**

The Client advances, amounting to Euro 466 thousand (Euro 1,263 thousand as of December 31, 2014), refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 38,136 thousand (Euro 55,993 thousand as of December 31, 2014), refer to payables for the supply of goods and services for Euro 29.343 thousand (Euro 49,696 thousand as of December 31, 2014), payables to agents for commissions of the Parent Company for Euro 8,549 thousand (Euro 6,297 thousand as of December 31, 2014) and payables due to MO.DA Gioielli for Euro 244 thousand.

Tax payables, amounting to Euro 11,060 thousand (Euro 2,519 thousand as of December 31, 2014) are recorded net of payments in advance, withholding taxes and tax credits legally offset. This account includes payables for definite tax liabilities of the Group.
In particular, the account refers to withholding tax on employee and consultant for Euro 746 thousand (Euro 1.057 thousand as of December 31, 2014), the IRES payables of the Parent Company for Euro 5,782 thousand (Euro 832 thousand as of December 31, 2014), the IRAP payables of the Parent Company for Euro 1,299 thousand and of TS Shoes for Euro 128 thousand, VAT payables for Euro 2.570 thousand, Euro 110 thousand concerning the residual payable following the Italian tax authority assessment for fiscal year 2013 related to Parent Company and other tax payables of Euro 425 thousand.

Social security payables, amounting to Euro 728 thousand (Euro 1,169 thousand as of December 31, 2014), principally refer to INPS payables for Euro 549 thousand (Euro 921 thousand as of December 31, 2014), ENASARCO for Euro 127 thousand (Euro 105 thousand as of December 31, 2014). The payables principally concern the Parent Company (Euro 593 thousand) and TS France (Euro 55 thousand).

The Other payables, amounting to Euro 4,981 thousand (Euro 3,259 thousand as of December 31, 2014), relate to payables to employees for salary, vacation, MBO, 13th and 14th month and relative contributions, totaling Euro 4.529 thousand (Euro 2,491 thousand as of December 31, 2014), payables for deposits received from contract manufacturers for Euro 79 thousand (unchanged on December 31, 2014), and other payables for Euro 373 thousand (Euro 599 thousand as of December 31, 2014).

Accrued expenses and deferred income

As of September 30, 2015, the account includes only accrued expenses, that mainly include interests on Bond.

Hedging instruments

As of September 30, 2015, Flexible Forward contracts for a total of USD 41,000 thousand are in place to partially hedge the currency risk arising from the purchase of goods denominated in USD. The details and fair value of the contracts as of September 30, 2015 are shown in the following table:

As of September 30, 2015, Interest Rate Swap (IRS) contract of Euro 100 million partially hedges the interest rate risk arising from the Notes. The detail and fair value of the contract as of September 30, 2015 is shown in the following table:

Bank	Contract type	Amount (USD/000)	Operation date	Date init. util.	Maturity date	Forward Rate	Ctr (Euro/000)	Fair Value (EUR/000)
Unicredit	Flexi forward	5,000	16/12/2014	01/09/2015	29/12/2015	1.2537	3,988	136
Unicredit	Flexi forward	5,000	04/02/2015	01/10/2015	27/01/2016	1.1518	4,341	69
BNL	Flexi forward	3,000	03/02/2015	01/09/2015	29/12/2015	1.1460	2,618	(132)
Unicredit	Flexi forward	5,000	20/03/2015	01/12/2015	31/03/2016	1.0847	4,610	(144)
Unicredit	Flexi forward	5,000	20/03/2015	04/01/2016	31/03/2016	1.0820	4,621	(63)
Carisbo	Flexi forward	3,000	23/03/2015	04/01/2016	21/03/2016	1.0910	2,750	(99)
Unicredit	Flexi forward	5,000	23/03/2015	01/04/2016	30/06/2016	1.0925	4,577	184
BNL	Flexi forward	5,000	23/03/2015	01/06/2016	29/08/2016	1.1000	4,545	(68)
BNL	Flexi forward	5,000	24/03/2015	01/06/2016	29/08/2016	1.1060	4,521	(43)
Total		**41,000**					**36,571**	**(162)**

€/000						
Counterparty	**Amount**	**Operation date**	**Maturity date**	**Rate**	**Floater**	**Fair Value**
Unicredit	100,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(1,813)
Total	**100,000**					**(1,813)**

Revenue

Revenue increased by Euro 25,887 thousand, or 14.6%, to Euro 203,060 thousand for the nine months ended September 30, 2015 from Euro 177,173 thousand for the nine months ended September 30, 2014. This increase was due to both wholesale and retail channel growth distributed across our domestic and international markets.

The following table sets forth the breakdown of our revenue by distribution channel for the nine months ended September 30, 2014 and 2015.

Breakdown of revenue by distribution channel	For the nine months ended September 30,	% of Twin Set Revenue	For the nine months ended September 30,	% of Twin Set Revenue	Change	% Change
(€/000)	2015		2014 [1]			
Wholesale	142,133	70.8%	134,339	76.5%	7,794	5.8%
Retail (including on line)	58,750	29.2%	41,208	23.5%	17,542	42.6%
Twin Set Revenue	**200,883**	**100%**	**175,547**	**100%**	**25,336**	**14.4%**
Other revenue [2]	2,177		1,626		551	33.9%
Revenue	**203,060**		**177,173**		**25,887**	**14.6%**

(1) In comparison with the Financial Statements published as of September 30, 2014, sample revenue was reclassified in Other revenue in order to have comparable data with those as of September 30, 2015.

(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

The following table sets forth the breakdown of our revenue by geographic area for the nine months ended September 30, 2014 and 2015.

Breakdown of revenue by geography (€/000)	For the nine months ended September 30,	For the nine months ended September 30,	Change	% Change
	2015	2014 [1]		
Italy	129,306	122,600	6,706	5.5%
Benelux	13,435	11,302	2,133	18.9%
Spain	14,039	10,066	3,973	39.5%
France	7,304	6,086	1,218	20.0%
Russia	10,763	6,208	4,555	73.4%
Germany	7,659	4,543	3,116	68.6%
Other countries	18,377	14,742	3,635	24.7%
Twin Set Revenue	**200,883**	**175,547**	**25,336**	**14.4%**
Other revenue [2]	2,177	1,626	551	33.9%
Revenue	**203,060**	**177,173**	**25,887**	**14.6%**

(1) In comparison with the Financial Statements published as of September 30, 2014, sample revenue was reclassified in Other revenue in order to have comparable data with those as of September 30, 2015.

(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

Other income

Other income and internally generated assets are composed of:

€/000	Nine months ended September 30,	Nine months ended September 30,	Change	% Change
	2015	2014		
Rental income	39	44	(5)	(11.4%)
Reimbursements	80	113	(33)	(29.2%)
Ordinary gains	12	18	(6)	(33.3%)
Other non recurring income	1,577	277	1,300	>100%
Other income	260	466	(206)	(44.2%)
Internally generated assets	293	797	(504)	(63.2%)
Total other income and internally generated assets	**2,261**	**1,715**	**546**	**31.8%**
% of Revenue	*1.1%*	*1.0%*		

Rental income refers to the recharge of a portion of rental costs to Liviana Conti, a third party and sublessor. The decrease, in comparison with the same period last year, is due to the reduction of the rent.

Reimbursements mainly relate to the recovery of transport expenses recharged to clients.

Internally generated assets, amounting to Euro 293 thousand, mainly refer to the employee costs related to development of the new Oracle JD Edwards management software (Euro 214 thousand).

Other non recurring income, amounting to Euro 1,577 thousand (Euro 277 thousand as of September 2014) includes Euro 900 thousand related to the transfer of unpaid trade receivables to the shareholders as better explained in "Recent Development" paragraph. The amount is offset by the same amount included in other operating costs. At year end these amounts might be offset in order to avoid higher income and expenses amounts. The residual amount refers to other income non recurring.

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

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by Euro 8,587 thousand, or 13.3%, to Euro 73,316 thousand for the nine months ended September 30, 2015 from Euro 64,729 thousand for the nine months ended September 30, 2014. As a percentage of Revenue, this line item decreased by 0.4 p.p., to 36.1% in the nine months of 2015, from 36.5% in the nine months ended September 30, 2014. This decrease was primarily due to a change in the channel and product mix and, to a lesser extent, to a more efficient supply chain but it was also partially offset by slightly higher and prolonged discounts during the summer sale period.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Raw materials, supplementary materials, consumables and goods	59,314	58,446	868	1.5%
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,611)	(4,572)	2,961	(64.8%)
Purchase of raw materials, goods and changes in inventories	**57,703**	**53,874**	**3,829**	**7.1%**
Change in work in progress, semi-finished and finished product inventories	15,613	10,855	4,758	43.8%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**73,316**	**64,729**	**8,587**	**13.3%**
% of Revenue	*36.1%*	*36.5%*	-	-

Cost of services

Cost of services increased by Euro 1,049 thousand, or 2.0%, to Euro 52,767 thousand for the period ended September 30, 2015, from Euro 51,718 thousand in the same period of 2014. As a percentage of revenue, cost of services compared to the same period last year decreased by 3.2 p.p.. This was due both to a positive volume effect and to a more careful management of operating costs, which started in the second half of 2014 and continued in the period under review. The table below sets forth the breakdown of costs of services for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Agent commissions	13,288	11,521	1,767	15.3%
Marketing and advertising	8,433	9,781	(1,348)	(13.8%)
External works	9,901	11,224	(1,323)	(11.8%)
Logistics and transport	9,231	8,864	367	4.1%
Administrative	3,908	3,200	708	22.1%
Travelling expenses	927	1,210	(283)	(23.4%)
Other service costs	7,079	5,918	1,161	19.6%
Total cost of services	**52,767**	**51,718**	**1,049**	**2.0%**
% of Revenue	*26.0%*	*29.2%*		

Rent

Rent increased by Euro 3,895 thousand, or 42.0%, to Euro 13,171 thousand for the period ended September 30, 2015 from Euro 9,276 thousand for the same period of 2014. The rise in rent was primarily due to the opening of 12 new DOS and Outlet in the past 12 months (net of the store closing for relocation that occurred in the period under review, Valmontone Outlet).

Rent expenses show an increase in term of percentage of revenue due to the international expansion where costs are higher in comparison with domestic market. Furthermore the costs are fully incurred whereas sales are in a development stage.

The increase in "Rent expenses for headquarters" for Euro 190 thousand is mainly due to the fact that at the end of 2Q 2014 were signed two lease contracts for TS East and TS Shoes headquarters.

The table below sets forth the breakdown of rent for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Rent expenses for shop, outlet and showroom	11,845	8,264	3,581	43.3%
Rent expenses for headquarters	871	681	190	27.9%
Other rent expenses	455	331	124	37.5%
Total rent	**13,171**	**9,276**	**3,895**	**42.0%**
% of Revenue	*6.5%*	*5.2%*		

Personnel costs

Personnel costs increased by Euro 4,369 thousand, or 24.5%, to Euro 22,204 thousand in the nine months of 2015 from Euro 17,835 thousand for the same period of 2014. As a percentage of revenue, Personnel costs increased by 0.8 p.p. to 10.9% for the period ended September 30, 2015 from 10.1% for the same period of 2014, mainly due to the opening of the new point of sales, which required additional retail employees and further support from the headquarter to handle the increased business volume; store Personnel costs follow the same pattern of rent costs.

The table below sets forth the breakdown of Personnel costs for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Wages and salaries	16,658	13,248	3,410	25.7%
Social security contributions	4,603	3,753	850	22.6%
Employee severance indemnities	943	833	110	13.2%
Other costs	-	1	(1)	(100.0%)
Total personnel costs	**22,204**	**17,835**	**4,369**	**24.5%**
% of Revenue	*10.9%*	*10.1%*		

The table below sets forth the breakdown of employees by category for the nine months ended September 30, 2014 and 2015.

	As of September 30, 2015		As of September 30, 2014		Change	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	7	1	6	1	1	-
Managers	16	3	14	3	2	-
Clerical/administrative staff	248	7	214	6	34	1
Workers	51	2	63	-	(12)	2
Retail staff	308	177	280	118	28	59
Total employees number	**630**	**190**	**577**	**128**	**53**	**62**
Combined total employees (Italy and abroad)	**820**		**705**		**115**	

Amortization and depreciation

Amortization and depreciation decrease by Euro 2,901 thousand to Euro 17,107 thousand for the nine months of 2015 from Euro 20,008 thousand for the nine months of 2014. The decrease in amortization and depreciation is due to the combined effect of the following factors: a decrease of Euro 5.1 million due to the closure of a loan disbursed in 2012 to the Company by a banking syndicate led by Unicredit SpA; the increase of amortization cost for Key Money and leasehold improvements paid for new store openings.

The table below sets forth the breakdown of depreciation and amortization for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Amortization of intangible fixed assets	15,180	18,481	(3,301)	(17.9%)
Depreciation of tangible fixed assets	1,927	1,527	400	26.2%
Total amortization and depreciation	**17,107**	**20,008**	**(2,901)**	**(14.5%)**
% of Revenue	*8.4%*	*11.3%*		

Other operating costs

Other operating costs increased by Euro 811 thousand, to Euro 2,032 thousand for the period 2015 from Euro 1,221 thousand for the same period in 2014. The amount mainly includes extraordinary expenses for Euro 900 thousand related to the transfer of unpaid trade receivables to the shareholders as better explained in "Recent Development" paragraph. The amount is offset by the same amount included in Other revenues. The residual amount refers to other non recurring expenses.

Operating profit

Operating profit increased by Euro 9,772 thousand, to Euro 21,802 thousand for the period ended September 30, 2015 from Euro 12,030 thousand for the same period of 2014. As a percentage of revenue, operating profit increased by 3.9 p.p. to 10.7% in 2015 from 6.8% in the same period of 2014.

Financial income/(expenses)

Financial expenses increased by Euro 2,188 thousand to Euro 11,954 thousand in the nine months of 2015 from Euro 9,766 thousand in the same period of 2014. The increase was primarily due to the interests paid on Euro 150 million Senior Secured Floating Rate Notes issued on July 22, 2014The table below sets forth the breakdown of financial expenses for the nine months ended September 30, 2014 and 2015.

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Other financial income	74	47	27	57.4%
Interest and other financial expenses	(11,221)	(9,340)	(1,881)	20.1%
Foreign exchange gains and losses	(807)	(473)	(334)	70.6%
Total financial income and expenses	**(11,954)**	**(9,766)**	**(2,188)**	**22.4%**
% of Revenue	*(5.9%)*	*(5.5%)*		

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

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Change	% Change
Shareholder loan interest	**3,678**	**3,885**	**(207)**	**(5.3%)**
Bank interest	**241**	**3,622**	**(3,381)**	**(93.3%)**
Loan interest	*34*	*3,152*	*(3,118)*	(98.9%)
Overdraft and others bank interest	*50*	*51*	*(1)*	(2.0%)
Financials Charges	*157*	*419*	*(262)*	(62.5%)
Interest on Bond	**7,302**	***1,833***	***5,469***	**>100%**
Total interest and other financial expenses	**11,221**	**9,340**	**1,881**	**20.1%**

The accounts Shareholder loan interest and Loan interest decreased due to the partial repayment of Shareholder Loan (Euro 12.2 million) and to the entire repayment of the Term Loan and Capex Line both occurred in July 2014 following the Notes issuance.

Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Changes	Changes %
Current taxes	(8,778)	(6,829)	(1,949)	28.5%
Deferred taxes	1,112	330	782	>100%
Prepaid taxes	268	2,655	(2,387)	(89.9%)
Total income tax	**(7,398)**	**(3,844)**	**(3,554)**	**92.5%**

Current taxes are as follows:

€/000	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Changes	% Changes
IRES	(6,893)	(5,018)	(1,875)	37.4%
IRAP	(1,885)	(1,811)	(74)	4.1%
Total current taxes	**(8,778)**	**(6,829)**	**(1,949)**	**28.5%**

Current taxes, amounting to Euro 8,778 thousand as of September 30, 2015, include IRES for Euro 6,893 thousand (of which Euro 6,471 thousand related to TS Italy, Euro 422 thousand to TS Shoes) and IRAP for Euro 1,885 thousand (of which Euro 1,792 thousand related to TS Italy, Euro 91 thousand to TS Shoes and Euro 2 thousand to Tessitura Sidoti).