TWIN-SET

SIMONA BARBIERI

TWIN SET – SIMONA BARBIERI S.p.A.

Annual report as of and for the year ended December 31, 2015

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

The following is a discussion and analysis of the financial conditions and results of operations of Twin Set – Simona Barbieri Group (Group) as of and for the year ended December 31, 2015. This discussion should be read together with the Twin Set – Simona Barbieri Group Consolidated Financial Statements as of and for the year ended December 31, 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 of operations and performance according to non-GAAP financial measures. Such non-GAAP measures are used by different companies for differing purposes and are often calculated according to the circumstances of such companies. Caution should be exercised in comparing non-GAAP measures with those of other companies. The information presented under non-GAAP measures discussed herein is unaudited and has not been prepared in accordance with Italian GAAP or any other accounting standards. The non-GAAP financial measures discussed herein have limitations as analytical tools, and should not be considered in isolation.

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

OVERVIEW

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

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

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

RECENT DEVELOPMENTS

July 1, 2015 – The Carlyle Group and Simona Barbieri have purchased from Mo.Da Gioielli Srl ("Mo.Da") its entire minority stake of 28% of the Company's share capital, along with the shareholders' loan in place between Mo.Da as lender and the Company as borrower (the "Transaction"). In particular, The Carlyle Group acquired 18% of 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 Company and Mo.Da. Concurrently, Tiziano Sgarbi resigned from his position of CEO of the Company.

The details of the transaction are as follows: 28% of Company's share capital held by Mo.Da, holding company owned by Tiziano Sgarbi and Simona Barbieri, was purchased by CEP III TW S.à r.l. ("CEP3 TW"), a company incorporated under the Laws of Luxembourg and wholly owned by CEP III Participations S.à r.l. SICAR ("CEP3"), a company indirectly controlled by The Carlyle Group subsidiary and the majority of the Company with a 72 stake%. Concurrently, (i) Ms Simona Barbieri purchased 10% of the Company's share capital from CEP3 TW and (ii) the shareholder's loan between Mo.Da (as lender) and the Company (as borrower) was transferred to CEP3 TW, which will be the new lender under the shareholder's loan agreement.
Following this Operation, the share capital of the Company is broken down as follows: 72% held by CEP3, 18% by CEP3 TW, with the remaining 10% held by Simona Barbieri.

General economic conditions and industry overview

The global economy overall grew 3.2%, driven by the recovery of the developed markets, in part due to the expansive policies introduced by the main central banks, while the emerging economies were impacted by the strengthening of the Dollar and the drop in the oil price.
In 2015 economic activity consolidated in the United States, enabling in December 2015 the first interest rate rise by the FED since the breakout of the crisis in 2008; meanwhile in Europe and Japan monetary policy continues to support the economy, with the rate of recovery picking up, although remaining fragile.
Eurozone growth (+1.6%) continued, thanks in part to the rolling out in January 2015 of Quantitative Easing for a total of Euro 60 billion per month until September 2016 through the European System of Central Banks' bond purchase programme.
In terms of the domestic economy, Italy saw annual average growth of 0.8%, exiting the over two year recession and setting out on a clear recovery. Despite expectations to the contrary, the recovery has been majorly driven by domestic demand and household consumption.
However, two factors are holding back more sustained growth for the global economy: (i) the slowdown in China and the emerging economies; (ii) depressed inflation in the advanced economies, despite the massive effort of monetary stimuli.
The major worry concerning global growth is the slowdown of China and a possible hard landing. In fact the fear of a halt to the Chinese economy poses difficulties for the fledgling normalization process of US interest rates initiated in December 2015, and may not only prevent the FED from picking up the speed of interest rate increases but in fact force them to lower growth estimates and inflation. If US monetary policy is weighed down by global uncertainties, the ECB is experiencing difficulties which may be best characterized by the term "low growth": for the economy, but particularly for prices. The difficulties of the central bank to rekindle nominal growth led to its decision in March to step up quantitative easing, both in terms of duration and intensity, with the refinancing rate lowered to zero, increasing therefore expectations of negative interest rates in the short-term in the Eurozone until the end of 2017.
Italy is on a clear path to recovery, although its extent is now in doubt due to the global slowdown. Exports, despite the weakening international environment, will be driven by a weak Euro and the quality exemplified by the "made in Italy" brand. Consumption expectations are supported by buoyant household confidence and disposable income numbers. An improvement in business confidence and a recovery in the usage level of plant is hoped for in terms of investment.
Following recent structural reforms, the progress made on the labor market should consolidate the slight reduction in the unemployment rate.

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:** includes only revenues relating to apparel and shoes and accessories sales, net of returns estimates and "Other revenues" concerning sales to third parties of samples, yarns, textiles and other production materials not utilized for internal production.

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

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

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

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

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

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

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

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

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

Like-for-like revenue performance of our retail 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 at 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 performances 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 years indicated.

Like-for-like revenue performance	For the year ended December 31,				
(% increase over prior period)	2011	2012 (1)	2013	2014	2015
Total retail (DOS and outlets)	5,2%	6,5%	7,8%	2,4%	7,1%

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

Our total like-for-like revenue performance has steadily improved over the years under review, by 7.1% for the year 2015 compared to the year 2014 and by 2.4%, 7.8%, 6.5% and 5.2% for the years 2014, 2013, 2012 and 2011, respectively. Our increased total like-for-like revenue performance was primarily driven by increased brand awareness, improving retail operations abroad and the strong performance of our Outlets.

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 since 2011, although our wholesale channel remains the primary driver of our revenue, accounting for 66.1% and 71.7% of Twin Set Revenue for the years 2015 and 2014, respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. Reported EBITDA margins are typically higher in our wholesale channel, due to the higher fixed costs necessary to operate retail stores.

The following table reconciles Reported EBITDA to Adjusted EBITDA:

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Chamge	% Change
Reported EBITDA	**36,229**	**27,773**	**8,456**	**30.4%**
Non recurring write-downs of trade receivables	-	391	(391)	n.s.
Non-recurring obsolescence provision	-	2,584	(2,584)	n.s.
Non-recurring provisions	1,402	817	585	n.s.
Other items	465	651	(186)	n.s.
Adjusted EBITDA	**38,096**	**32,216**	**5,880**	**18.3%**
Adjusted EBITDA Margin	*16.0%*	*15.4%*		

As shown in the table above, our Adjusted EBITDA reached Euro 38.1 million, 16% of Twin Set Revenue. The Adjusted EBITDA increased by 18.3% compared to 2014.

Adjusted EBITDA totaled Euro 38.1 million, with an increase of Euro 5.9 million (+18.3%). In 2015 the Adjusted EBITDA margin is 16.0% of Twin Set revenue. The EBITDA margin improved on the previous year thanks to the increased contribution of the Retail channel (like-for-like growth and the development of stores opened in the recent past), the higher volume of revenues and the improved "purchase chain" management, partially offset by a higher percentage of season-end discounts, however in line with market developments.

The non-recurring provisions principally include provisions for risks and disputes, extraordinary charges concerning the settlements recognized to distributors for advanced resolution of contract following the adoption of new commercial strategies which established for some markets direct sales through their area managers, without recourse to intermediaries.

"Other items" includes for Euro 0.5 million bank commissions and for Euro 0.07 million net prior year income/(expenses).

KEY INCOME STATEMENT ITEMS

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

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

Revenue

Revenue is calculated by adding gross sales from customers minus discounts, rebates and customer returns. Revenue includes Twin Set Revenue and other revenue. Twin Set Revenue is revenue from our consolidated financial statements excluding other revenue arising from non-core businesses. Other revenue in 2014 and 2015 relates primarily to our sales of raw materials and samples to third parties, not used for internal production.

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

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

Cost of services

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

Rent

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

Personnel costs

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

Depreciation and amortization

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

Write-downs of trade receivables

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

Provisions

Provisions include provisions for risks and returns.

Operating profit

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

Financial income/(expenses)

Financial income primarily includes interest income from bank accounts and deposits. Financial expense primarily includes interest paid on loans, on the bond loan and interests matured on the Shareholders' loan.
Exchange gains and/or losses mainly relate to the effects of exchange rate fluctuations on purchase and sales transactions.

RESULTS OF OPERATIONS

Year ended December 31, 2015 of Twin Set compared to the year ended December 31, 2014 of Twin Set

The following table sets forth the financial information of Twin Set for the year ended December 31, 2015 compared to the financial information of Twin Set for the year ended December 31, 2014.

€/000 Consolidated Income Statement	For the year ended December 31, 2015	% of revenue	For the year ended December 31, 2014 [(1)]	% of revenue	Change	% Change
Revenue	243,522	*100.0%*	212,368	*100.0%*	31,154	*14.7%*
Other income and internally generated assets	2,580	*1.1%*	2,728	*1.3%*	(148)	*(5.4%)*
Change in work in progress, semifinished and finished product inventories	(559)	*(0.2%)*	3,222	*1.5%*	(3,781)	*>(100%)*
Purchase of raw materials, goods and changes in inventory	(87,301)	*(35.8%)*	(81,683)	*(38.5%)*	(5,618)	*6.9%*
Cost of services	(67,142)	*(27.6%)*	(65,751)	*(31.0%)*	(1,391)	*2.1%*
Rent	(17,756)	*(7.3%)*	(13,270)	*(6.2%)*	(4,486)	*33.8%*
Personnel costs	(30,228)	*(12.4%)*	(24,387)	*(11.5%)*	(5,841)	*24.0%*
Write-downs of trade receivables	(3,036)	*(1.2%)*	(2,977)	*(1.4%)*	(59)	*2.0%*
Provisions	(1,353)	*(0.6%)*	(517)	*(0.2%)*	(836)	*>100%*
Other operating costs	(2,499)	*(1.0%)*	(1,960)	*(0.9%)*	(539)	*27.5%*
Reported EBITDA	**36,229**	***14.9%***	**27,773**	***13.1%***	**8,456**	***30.4%***
Depreciation and Amortization	(23,112)	*(9.5%)*	(25,145)	*(11.8%)*	2,033	*(8.1%)*
Write-downs	(2,188)	*(0.9%)*	-	-	(2,188)	*100.0%*
Operating profit	**10,928**	***4.5%***	**2,628**	***1.2%***	**8,300**	***>100%***
Financial income/(expenses)	(16,170)	*(6.6%)*	(15,053)	*(7.1%)*	(1,117)	*7.4%*
Extraordinary income/(expenses)	(246)	*(0.1%)*	(503)	*(0.2%)*	257	*(51.1%)*
Profit/(loss) before tax	**(5,488)**	***(2.3%)***	**(12,928)**	***(6.1%)***	**7,440**	***(57.5%)***
Income tax	(4,919)	*(2.0%)*	(879)	*(0.4%)*	(4,040)	*>100%*
Profit/(loss) for the period	**(10,407)**	***(4.3%)***	**(13,807)**	***(6.5%)***	**3,400**	***(24.6%)***

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

The following table sets the reconciliation between Twin Set Revenue and Revenues:

Reconciliation Twin Set Revenue vs Revenue	2015	2014
Revenue	**243,522**	**212,368**
Other revenues (*)	(4,163)	(2,516)
Returns estimate (**)	(2,000)	(465)
Twin Set Revenue	**237,359**	**209,387**

(*) Other revenues relates primarily to sales to third parties of samples, yarns, textiles and other production materials not utilized for internal production
(**) The estimate of returns is based on historical trends of quantities returned, valued at full sales price

From this point on, comments will refer only to Twin Set revenue.

Twin Set revenue. Twin Set revenue increased by Euro 28.0 million, or 13.4%, to Euro 237.4 million for the year ended December 31, 2015 from Euro 209.4 million for the year ended December 31, 2014.

The increase is due both to the moderate growth of the Wholesale channel (+4.5%) and the sustained growth of the Retail channel (+35.8%), particularly due to the new openings and the like-for-like improvement.

The following table sets forth the breakdown of Twin Set Revenue by distribution channel for the year ended December 31, 2014 and 2015.

Breakdown of revenue by distribution channel	For the year ended December 31,	% on Twin Set Revenue	For the year ended December 31,	% on Twin Set Revenue	Change	% Change
(€/000)	2015		2014 [1]			
Wholesale	156,849	66.1%	150,118	71.7%	6,731	4.5%
Retail (including on line)	80,510	33.9%	59,269	28.3%	21,241	35.8%
Twin Set Revenue	**237,359**	**100%**	**209,387**	**100%**	**27,972**	**13.4%**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

Wholesale

The Wholesale channel continued, as in previous years, to perform well, with growth of 4.5% on the previous year, although in the second half of the year a slight slowdown occurred, relating to Season AI15 sales, particularly on the Eastern European markets, in particular Russia, due to the noted geopolitical events in the region, in addition to the Italian market. The overall performance is related to the increase both of sales on the traditional Wholesale channel and on the Franchising channel (sales of the year of Euro 5.4 million compared to Euro 2.0 million in 2014).

Retail (including online)

Retail channel sales increased Euro 21.2 million. This increase is principally due to new openings (10, net of the closure of one Outlet for relocation in 2015) and 12 months of operations for the 13 DOS and Outlets opened in the second half of 2014. This is evident also at like-for-like sales (of Boutiques and Outlets), which reported an overall improvement of 7.1%, particularly thanks to the second half year performance.

The online shop channel reported a strong performance, with 2015 revenues of Euro 5.8 million (increasing Euro 2.2 million, up 59.7% on 2014). This increase is due to a better ratio between orders and visits on the twinset.com website, the higher number of website visits and the increased average order value. The improved ratio and overall results, were made possible thanks to:

- An extended product offer, with more than 1,000 models available for online purchase each season;
- new online payment methods, such as sofort and ideal;
- improved detail of product graphics and better functional parts of the website;
- optimization of the website response;
- extended virtual dressing room for more products.

The Retail sales channel percentage of Twin Set revenue increased 5.6 p.p. from 28.3% in 2014 to 33.9% in 2015.
The following table reports the breakdown of DOS and Outlets open at December 31, 2015 and December 31, 2014:

The table below sets forth the retail points of sale by geographic area for years 2014 and 2015.

Retail points of sales	As of December 31, 2015		As of December 31, 2014	
	DOS	Outlet	DOS	Outlet
Italy	31	14 [1]	27	11
Outside of Italy	19	3	17	2
Total retail point of sale	**50**	**17**	**44**	**13**
	67		**57**	

(1) Numbers are net of the store closings that occurred in the year.

During the year under review, our retail points of sale network expanded from 57 retail points of sale as of December 31, 2014 (44 DOS and 13 outlets) to 67 retail points of sale as of December 31, 2015 (50 DOS and 17 outlets).

In 2015, in line with the Group's strategic plan, we have been focused on investments on new sales points in Italy and overseas: 4 DOS and 3 Outlets in Italy (net of the closure occurred), one DOS in Spain, one DOS and one Outlet in Russia. The table below sets forth the points of sale openings for the year 2015 compared to the year 2014:

Retail points of sales openings	For the year ended December 31, 2015		For the year ended December 31, 2014	
	DOS	Outlet	DOS	Outlet
Italy	4	3 [1]	0 [1]	1
Outside of Italy	2	1	15	2
Total retail point of sale	**6**	**4**	**15**	**3**
	10		**18**	

[1] Numbers are net of the store closings that occurred in the year.

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

Breakdown of retail revenue by sub-channel (€/000)	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2015	2014		
DOS	57,707	42,669	15,038	35.2%
Outlet	16,970	12,947	4,023	31.1%
Online	5,833	3,653	2,180	59.7%
Retail Revenue	**80,510**	**59,269**	**21,241**	**35.8%**

During the year Retail channel sales increased in all channels DOS, Outlet and Online revenues. Boutique sales in fact rose Euro 15.0 million (+35.2%), with Outlet sales improving Euro 4.0 million (+31.1%). The Online Shop channel saw increased revenues of 59.7% to Euro 5.8 million, thanks to the previously described marketing initiatives.

The following table sets forth the breakdown of Twin Set Revenue by geography for the years 2014 and 2015.

Breakdown of revenue by geography (€/000)	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2015	2014 [1]		
Italy	151,053	143,965	7,088	4.9%
Benelux	16,270	13,671	2,599	19.0%
Spain	16,038	12,005	4,033	33.6%
France	9,090	7,040	2,050	29.1%
Greater Russia	13,769	9,625	4,144	43.1%
Germany	9,558	6,152	3,406	55.4%
Other countries	21,581	16,929	4,652	27.5%
Twin Set Revenue	**237,359**	**209,387**	**27,972**	**13.4%**

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

Italy.
Italian sales increased 4.9% on the previous year, principally due to the development of the Retail network (4 DOS and 3 Outlet) and the performance of our Outlets. The revenue contribution of the traditional Wholesale channel was substantially stable.

International.
Compared to 2014 revenue generated outside of Italy increased by 31.9%.
The result is principally due to the international development of the Retail network (1 DOS in Spain, 1 DOS and 1 Outlet in Russia), the full contribution of the 11 stores opened in the second half of 2014 (4 in Germany, 3 in Spain, 3 in Russia and 1 in Belgium) and the improvement of Franchising. In addition, we include also the traditional Wholesale channel, although growth was more contained in traditional markets than in new markets. These figures confirm the strength of the international market penetration strategy.

The table below sets forth Twin Set Revenue by product line.

Breakdown of revenue by product line (€/000)	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2015	2014 [(1)]		
TS Main	115,155	101,670	13,485	13.3%
Beachwear/Lingerie	28,322	24,296	4,026	16.6%
Girl, Baby e Newborn	20,389	16,517	3,872	23.4%
Jeans	22,312	16,181	6,131	37.9%
Accessories/Bags	14,686	16,111	(1,425)	(8.8%)
Shoes	12,440	12,724	(284)	(2.2%)
Le Coeur	12,789	8,875	3,914	44.1%
Scee	9,781	10,790	(1,009)	(9.4%)
Other	1,485	2,223	(738)	(33.2%)
Twin Set Revenue	**237,359**	**209,387**	**27,972**	**13.4%**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

The main product portfolio lines performed strongly. The most recent lines (Beachwear, Lingerie, Jeans, Le Coeur) benefitted from significant growth on the basis of the combined effect of the new Retail openings and the consolidated recognition of these lines on the Wholesale channel. The most traditional line, TS Main, reports results in line with the general market. The Accessories/Bags and Shoes lines temporarily underperformed.

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 9.4 million, or 12%, to Euro 87.9 million for the year ended December 31, 2015 from Euro 78.5 million for the year ended December 31, 2014. As a percentage of Twin Set revenue, this line item decreased by 0.5 p.p., to 37.0% in 2015, from 37.5% in 2014.

The percentage decrease is principally due to a different mix of revenues, with an increased portion of Retail revenues in respect to total Twin Set revenue.

€/000	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2015	2014		
Raw materials, supplementary materials, consumables and goods	86,193	84,382	1,812	2.1%
Change in inventories of raw materials, supplementary materials, consumables and goods	1,108	(2,699)	3,807	>(100%)
Purchase of raw materials, goods and changes in inventory	**87,301**	**81,683**	**5,618**	**6.9%**
Change in work in progress, semi-finished and finished product inventories	559	(3,222)	3,781	>(100%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**87,860**	**78,461**	**9,398**	**12.0%**
% of Twin Set Revenue	*37.0%*	*37.5%*	-	(0.5%)

Cost of services. Cost of services increased by Euro 1.4 million, or 2.1%, to Euro 67.1 million for the year 2015, from Euro 65.8 million for the year 2014. As a percentage of Twin Set revenue, cost of services decreased by 3.1 p.p., to 28.3% for the year 2015 from 31.4% for the year 2014.

The table below sets forth the breakdown of costs of services for the year ended December 31, 2014 and 2015.

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Agent commissions	15,509	12,550	2,959	23.6%
Marketing and advertising	10,307	11,770	(1,463)	(12.4%)
External works	12,950	15,241	(2,291)	(15.0%)
Logistics and transport	12,074	11,709	365	3.1%
Administrative	5,442	4,401	1,041	23.7%
Travelling expenses	1,238	1,566	(328)	(20.9%)
Insurance	1,344	1,294	50	3.9%
Other service costs	8,278	7,220	1,058	14.7%
Total cost of services	**67,142**	**65,751**	**1,391**	**2.1%**
% of Twin Set Revenue	*28.3%*	*31.4%*		

The increase compared to 2014 is principally attributable to the increase in business activities. “Agents commissions” increased more proportionally than wholesale channel revenues (+23.6% compared to +4.5%). This increase is due to the higher commissions paid on the new product lines and the increased number of agents operating on international markets. “Marketing and advertising” expenses decreased from Euro 11.8 million in 2014 to Euro 10.3 million in 2015, with a reduction of 12.4% thanks to the cost cutting policy. The reduction of “External works” for Euro 2.3 million is principally due to the increased use of purchase of finished goods instead of semifinished ones. “Administrative” expenses increased Euro 1.0 million (+23.7%), principally due to the setting up of central administrative functions to support growth and the expansion of international retail sales.
“Other service costs” amounts Euro 8.3 million and principally comprises utilities (Euro 2.0 million), banking expenses (Euro 1.4 million), condominium expenses related to stores and showrooms and cleaning expenses (totaling Euro 1.1 million), maintenance costs (Euro 0.8 million), quality control costs (Euro 0.7 million), employee canteen expenses (Euro 0.4 million), stationary and printing costs (Euro 0.2 million) and hiring costs (Euro 0.2 million).

Rent. Rent increased by Euro 4.5 million, or 33.8%, to Euro 17.8 million for the year 2015 from Euro 13.3 million for the year 2014.
The increase in “Rent expenses for shop, outlet and showrooms” relates both to the 10 new openings of stores and outlets in 2015 and the full year effect of store rental contracts signed in the second half of 2014.

The table below sets forth the breakdown of rent for the year ended December 31, 2014 and 2015.

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Rent expenses for shop, outlet and showrooms	16,097	11,873	4,224	35.6%
Rent expenses for headquarters	1,050	919	131	14.3%
Other rent expenses	609	478	131	27.4%
Total rent	**17,756**	**13,270**	**4,486**	**33.8%**
% of Twin Set Revenue	*7.5%*	*6.3%*		

Personnel costs. Personnel costs increased by Euro 5.8 million, or 24.0%, to Euro 30.2 million for the year 2015 from Euro 24.4 million for the year 2014. As a percentage of Twin Set revenue, personnel costs increased by 1.1 p.p. to 12.7% for the year ended December 31, 2015 from 11.6% for the year ended December 31, 2014. The percentage is principally related to the increase of the number of employees, both for the Retail channel and headquarters.

The table below sets forth the breakdown of personnel costs for the year ended December 31, 2014 and 2015.

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Wages and salaries	22,771	18,183	4,588	25.2%
Social security contribution	6,182	5,078	1,104	21.7%
Employee severance indemnities	1,274	1,125	149	13.2%
Other costs	1	1	-	-
Total personnel costs	**30,228**	**24,387**	**5,841**	**24.0%**
% of Twin Set Revenue	*12.7%*	*11.6%*		

The following table shows the breakdown between retail and corporate as of December 31, 2015:

Division	As of December 31, 2015	As of December 31, 2014	Change	% Change
Retail	484	428	56	13.1%
Corporate	344	289	55	19.0%
Total	**828**	**717**	**111**	**15.5%**

The table below set forth the breakdown by category as of December 31, 2015, compared to previous year:

Category	As of December 31, 2015	As of December 31, 2014	Change	% Change
Executives	8	7	1	14.3%
Managers	18	14	4	28.6%
Clerical/Administrative staff	260	209	51	24.4%
Workers	58	59	(1)	(1.7%)
Total	**344**	**289**	**55**	**19.0%**

Amortization, depreciation and write-downs. Depreciation, amortization and write-downs increased by Euro 0.2 million to Euro 25.3 million for the year ended December 31, 2015 from Euro 25.1 million for the year ended December 31, 2014.

Amortization and depreciation totaled Euro 23.1 million, of which Euro 20.4 million relates to amortization and Euro 2.7 million relates to depreciation. The amortization and depreciation decrease of Euro 2.0 million, is due to the fact that in the previous year the net residual book value of the brokarage charges capitalized on the old Term Loan undertaken in 2012 and fully repaid following the bond issue for a value of Euro 5.1 million was amortized in one year. Excluding this effect, amortization and depreciation increase by Euro 3.1 million. The increase principally concern depreciation for the full year on investments made at the 13 stores opened in the second half of 2014, amortization of the transaction costs related to the Bonds and the depreciation of costs incurred in 2013 and 2014 for the new Oracle JD Edwards operating system. The increase is also related to goodwill and Key Money and restructuring charges paid for the new stores opened in 2015. Following an Impairment Test, a number of fixed assets of the German subsidiary were written down for a total amount of Euro 2.2 million.

The table below sets forth the breakdown of depreciation, amortization and write-downs for the year ended December 31, 2014 and 2015.

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Amortization of intangible fixed assets	20,453	22,890	(2,437)	(11.9%)
Depreciation of tangible fixed assets	2,659	2,255	404	15.2%
Other fixed asset write-downs	2,188	-	2,188	100.0%
Total amortization, depreciation and write-downs	**25,300**	**25,145**	**155**	**0.6%**
% of Twin Set Revenue	*10.7%*	*12.0%*		

Operating profit. Operating profit increased by Euro 8.3 million, to Euro 10.9 million for the year 2015 from Euro 2.6 million for the year 2014. As a percentage of Twin Set revenue, operating profit increased by 3.3 p.p. to 4.6% for the year 2015 from 1.3 % for the year 2014.

Financial income/(expenses). Financial expenses increased by Euro 1.1 million to Euro 16.2 million for the year 2015 from Euro 15.1 million for the year 2014.

Other Financial income refers to interest matured on current accounts. Interest and other financial expenses principally concerns interest accrued on the Bond Loan for Euro 9.7 million and interest accrued on the Shareholder loan for Euro 5.0 million.

The increase was primarily due to the higher interest paid on an higher average net financial position in 2015.

The table below sets forth the breakdown of financial expenses for the year ended December 31, 2014 and 2015.

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Other financial income	27	37	(10)	(27.0%)
Interest and other financial expenses	(15,134)	(13,088)	(2,046)	15.6%
Foreign exchange gains/(losses)	(1,063)	(2,002)	939	(46.9%)
Total financial income/(expenses)	**(16,170)**	**(15,053)**	**(1,117)**	**7.4%**
% of Twin Set Revenue	*(6.8%)*	*(7.2%)*		

Income tax. Income tax increased by Euro 4.0 million to Euro 4.9 million for the year 2015 from Euro 0.9 million for the year 2014 due to the better Result before taxes realized in the year.

Result for the year. The loss for the year is Euro 10.4 million for the year ended December 31, 2015 compared to a loss of Euro 13.8 million for the year ended December 31, 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.

As of December 31, 2015, our net financial indebtedness amounted to Euro 115.2 million compared to Euro 123.4 million as of December 31, 2014. As of December 31, 2015, we had cash and cash equivalents of Euro 39.0 million as compared to Euro 31.3 million as of December 31, 2014.

CASH FLOW

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

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Total net cash at the beginning of the period	**31,308**	**14,290**	**17,018**	**>100%**
Cash flow provided by/(used in) operating activities	26,130	19,908	6,222	31.3%
Cash flow provided by/(used in) investing activities	(7,368)	(33,100)	25,732	(77.7%)
Cash flow provided by/(used in) financing activities	(11,031)	30,210	(41,241)	>(100%)
Cash flow from the period	**7,731**	**17,018**	**(9,287)**	**(54.6%)**
Total net cash at the end of the period	**39,039**	**31,308**	**7,731**	**24.7%**

The cash flow generated in the period amounts to Euro 7.7 million.
Cash flow generated from operating activities amounts to Euro 26.1 million, increasing Euro 6.2 million on the previous year.

This performance is due to increased operating revenues, partially offset by an increased absorption of Net Working Capital and higher taxes paid.
Cash flow absorbed from investing activities relates to investments for the development of the Retail network. Reduction compare to 2014 is due to the lower number of DOS openings and expenses incurred for the issue of the Bond Loan in 2014. Technology investment was substantially in line with the previous year.
Cash flow absorbed from financing activities in 2015 principally relates to interest expenses paid on the bond issued in 2014, whose income, net of the advance settlement of the syndicate loan, of the partial repayment of the shareholder loan and the distribution of dividends to shareholders, generated positive cash flow.

CAPITAL EXPENDITURE

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

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014	Change	% Change
Expansion	4,638	21,444	(16,806)	(78.4%)
Maintenance	1,535	1,729	(194)	(11.2%)
Headquarter	1,244	9,258	(8,014)	(86.6%)
Acquisition-related	-	1,610	(1,610)	(100.0%)
Total capital expenditures	**7,417**	**34,041**	**(26,624)**	**(78.2%)**

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

- **Expansion:** includes the Key Money, goodwill and restructuring charges paid following the opening of new stores (6 DOS and 4 Outlets in 2015 compared to 15 DOS and 3 Outlets in 2014).

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

- **Headquarters:** principally includes project-related IT investments and non-recurring costs.

- **Acquisition-related:** for 2014 is related to the acquisition of TS Shoes.

The Headquarters item mainly includes IT investment and in particular the Group ERP system project. The growth and the international development plan of the Group required the research and drawing up of an IT System improvement plan to support and strengthen the growth process and operating management. An integrated system was therefore constructed for the management of company data, both of technical and financial nature. In 2014, the amount included also the transaction costs incurred for the issue of the Bond for a value of Euro 6.2 million.

OPERATING WORKING CAPITAL

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

€/000	For the year ended December 31, 2015	For the year ended December 31, 2014 (1)	Change	% Change
Inventory	57,470	59,279	(1,809)	(3.1%)
Trade Receivables	36,034	40,727	(4,693)	(11.5%)
Trade Payables	(42,866)	(55,365)	12,499	(22.6%)
Operating Working Capital	**50,638**	**44,641**	**5,997**	**13.4%**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

Operating Working Capital (which represents the Net Working Capital gross of other current assets and liabilities) increased by Euro 6.0 million at December 31, 2015.

Inventories, net of the obsolescence provision, reduced Euro 1.8 million. Despite the development of the Retail channel resulting in additional season-end inventory, the gross value slightly increased from Euro 68.3 million to Euro 72.4 million. This is due to the improved production chain planning, which reduced latest season stock (in particular the AI15 season). The increased obsolescence provision moved in line with generation of inventory.

Trade receivables reduced Euro 4.7 million; the gross value of receivables decreased from Euro 48.2 million to Euro 45.4 million, both due to improved credit management and to increased overseas Wholesale revenues with minor due date payment terms compared to Wholesale Italy sales; the doubtful debt provision increased from Euro 4.6 million to Euro 5.2 million, prudently accrued in consideration of the generally unstable economic environment both in Italy and in Europe.

Trade payables decreased by Euro 12.5 million. This reduction is principally due to the payment of the 2014 back log (Capex and goods) and the reduction in payables related to production and external works due to the combined effect of timing differences and long transports delays due to the increased use of shipping transports.

NET FINANCIAL INDEBTEDNESS

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

Net financial indebtedness (€/000)	As of December 31, 2015	As of December 31, 2014	Change	% Change
Cash and cash equivalents	39,039	31,308	7,731	24.7%
Bank overdrafts	(138)	(297)	159	(53.5%)
Total net cash	**38,901**	**31,011**	**7,890**	**25.4%**
Bank loans-current portion [1]	(4,065)	(3,626)	(439)	12.1%
Bank loans-non current portion	(78)	(751)	673	(89.6%)
Bank loans	**(4,143)**	**(4,377)**	**234**	**(5.3%)**
Bond	**(150,000)**	**(150,000)**	**-**	**-**
Net financial indebtedness [2]	**(115,242)**	**(123,366)**	**8,124**	**(6.6%)**
of which:				
Net financial indebtedness-current portion	*34,836*	*27,385*	*7,451*	27.2%
Net financial indebtedness-non-current portion	*(150,078)*	*(150,751)*	*673*	(0.4%)
Shareholder loan	**(75,170)**	**(70,188)**	**(4,982)**	**7.1%**
Net financial indebtedness [2]	**(190,412)**	**(193,554)**	**3,142**	**(1.6%)**

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

(2) Net financial indebtedness is calculated as total net financial debt excluding amounts due under the Shareholders' Loan. The criteria for determining net financial indebtedness applied by us might not be the same as the criteria adopted by other companies and, therefore, the figures presented by us might not be comparable with those determined by such other groups.

The net financial indebtedness as of December 31, 2015 totals Euro 115.2 million and comprises net liquidity including bank payables for current account overdrafts of Euro 39 million, increasing Euro 7.9 million on December 31, 2014 and financial payables of Euro 154.1 million, decreasing Euro 0.2 million on the previous year.

The net financial position improved thanks to the cash generated in current year, which contributed to increasing liquidity to Euro 39.0 million, while payables were stable as principally comprising the Senior Bond Loan ("Bond") of a nominal value of Euro 150 million, with maturity of July 15, 2019.

The remaining financial payables of Euro 4.1 million relate to the interest matured on the Bond, on unsecured loans and the fair value of the Group's financial instruments.

The loan issued by the shareholder ("Shareholder Loan") with maturity on June 29, 2020, on which interest matures at 7% annually, as of December 31, 2015 amounted to Euro 75.2 million, including interest matured in the year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding as of December 31, 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. These maturities may differ significantly from the actual maturity of these obligations.

€ in millions	Expected cash payments falling due in the years ending December 31,		
	2016-2019	2020 and thereafter	Total
Notes offered hereby	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets [(1)]	56.4	36.0	92.4
Rent and operating leases commitments for Showroom [(1)]	1.7	0.7	2.4
Rent and operating leases commitments for Civil and Industrial Buildings [(1)]	2.3	-	2.3
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes [(1)]	0.6	-	0.6
Total	**211.0**	**36.7**	**247.7**

(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 other commitments deriving from USD forward purchase contracts for hedging derivatives.

€ in millions	As of December 31, 2015	As of December 31, 2014	Change	% Change
DOS and Outlet rental guarantees	6.1	6.6	(0.5)	(7.6%)
Derivatives	(1.5)	(0.2)	(1.3)	n.s.
Total	**4.6**	**6.4**	**(1.8)**	**(7.6%)**

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Currency-related risk

The Euro is the functional currency used for the consolidated financial statements; however the Twin Set group carries out operations in currencies other than the Euro, principally for the procurement of products from China and India, denominated in US Dollars, with an exposure therefore to currency risk. In order to mitigate the risk from currency rate fluctuation, the Group has put in place Flexible Forward derivative finance operations. As of December 31, 2015 the amount of derivatives in place totaled USD 49 million. Following the establishment of the Twin Set East (Russia), the Group is also exposed to the depreciation of the ruble arising from loans and intercompany sales in local currency.

Credit risk

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

undertaking of insurance policies with insurance or factoring companies, which guarantee indemnity in the case of insolvency.

Liquidity risk

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

Interest rate risk

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

SUBSEQUENT EVENTS

We report below the most significant events following year-end.

January 25, 2016 – Signing of the rental contract for the new Boutique in Cannes (France), Rue D’Antibes 118;

February 3, 2016 - Opening of a corner in Paris (France) at Lafayette Galeries Haussmann;

February 16, 2016 - Signing of the rental contract for the new offices at Via del Commercio 32;

February 25, 2016 - Franchising Opening in Nizhny Novgorod (Russia), at Fantastika Shopping Mall;

February 28, 2016 - Franchising Opening in Novosibirsk (Siberia), Street sovetskaya magistral 13;

March 1, 2016 - Franchising Opening in Dubai (UAE), at Dubai Mall/Galleries;

March 3, 2016 - Franchising Opening in Vilnius (Lithuania), at Europa Mall;

March 9, 2016 - Franchising Opening in Kaunas (Lithuania), Shopping Center Akropolis, Karaliaus Mindaugo av. 49;

March 16, 2016 – Opening of the new Boutique in Ghent (Belgium), Vogelmarkt 27;

March 19, 2016 – Opening of the new Boutique in Taormina, corner of Piazza S. Caterina and via Di Giovanni.

OUTLOOK

In 2016, the Company will continue to operate in a difficult environment, featuring low growth, financial market volatility, uncertainties and geopolitical risks. The Company will therefore seek to take appropriate measures to maintain profitable growth, with a strategy focused on: (i) a review of the product lines according to market demands, enhancement of the shoes and accessories collections and reduction of the time to market; (ii) further pursuit of retail development on the markets presenting the best opportunities for the Twin Set brand products; (iii) heavy investment in the online channel; (iv) creation of efficiencies in the productive and non-productive operating structures; (v) continued organizational development to further leverage winning propositions such as style and communication.
Sales volumes of the Company at the beginning of 2016, together with the Wholesale orders campaign FW16, support expectations of a positive performance for the entire year, both in terms of sales volume and profit growth.

TWIN-SET

SIMONA BARBIERI

TWIN SET – SIMONA BARBIERI S.p.A.

Consolidated Financial Statements as of and for the year ended December 31, 2015

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2015

€/000	As of December 31, 2015	As of December 31, 2014 [(1)]
Assets		
Intangible assets	242,441	259,513
of which goodwill	*183,409*	*194,931*
Property, plant and equipment	10,683	11,703
Other financial assets	1,130	1,304
Total intangible assets, PP&E and other financial assets	**254,254**	**272,520**
Inventories	57,470	59,279
Trade receivables	40,171	43,587
Tax receivables	3,748	4,994
Deferred tax assets	9,518	7,797
Other receivables	550	721
Cash and cash equivalents	39,039	31,308
Total current assets	**150,496**	**147,686**
Other accrued income and prepaid expenses	1,248	1,259
Issue discount	1,066	1,366
Total accrued income and prepaid expenses	**2,314**	**2,625**
Total assets	**407,064**	**422,831**

€/000	As of December 31, 2015	As of December 31, 2014 [(1)]
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,370	134,071
Retained earnings	(14,134)	(498)
Profit/(loss) for the period	(10,641)	(13,636)
Total Group Shareholders' equity	**110,117**	**120,459**
Equity attributable to non-controlling interests	495	269
Total Shareholders' equity	**110,612**	**120,728**
Liabilities		
Provisions for risks and charges	7,763	4,652
Deferred tax liabilities	6,552	7,768
Provisions for employee severance indemnities	710	697
Bonds	150,000	150,000
Shareholder loan	75,170	70,188
Bank loans	890	2,496
Client advances	1,441	1,263
Trade payables	42,992	55,993
Tax payables	3,394	2,519
Social security payables	1,263	1,169
Other payables	4,367	3,280
Accrued expenses and deferred income	1,910	2,078
Total liabilities	**296,452**	**302,103**
Total liabilities and shareholders' equity	**407,064**	**422,831**
Memorandum accounts		
Guarantees	6,127	6,573
Other memorandum accounts	44,328	22,441
Total memorandum accounts	**50,455**	**29,014**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

€/000 Consolidated Income Statement	For the year ended December 31, 2015	For the year ended December 31, 2014 [1]
Revenue	243,522	212,368
Other income and internally generated assets	2,580	2,728
Change in work in progress, semifinished and finished product inventories	(559)	3,222
Total revenue and income	**245,543**	**218,318**
Purchase of raw materials, goods and changes in inventory	(87,301)	(81,683)
Cost of services	(67,142)	(65,751)
Rent	(17,756)	(13,270)
Personnel costs	(30,228)	(24,387)
Depreciation, Amortization and write-downs	(25,300)	(25,145)
Write-downs of trade receivables	(3,036)	(2,977)
Provisions	(1,353)	(517)
Other operating costs	(2,499)	(1,960)
Total operating costs	**(234,615)**	**(215,690)**
Operating profit	**10,928**	**2,628**
Financial income/(expenses)	(16,170)	(15,053)
Extraordinary income/(expenses)	(246)	(503)
Profit/(loss) before tax	**(5,488)**	**(12,928)**
Income tax	(4,919)	(879)
Profit/(loss) for the period	**(10,407)**	**(13,807)**
Attributable to the Group	*(10,641)*	*(13,636)*
Attributable to non-controlling interests	*234*	*(171)*

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

(€/000)	Share capital	Share premium reserve	Legal reserve	Exchange reserve	Translation reserve	Retained earnings/(losses) Twin Set SPA	Retained earnings/(losses) OTHERS	Profit/(loss) for the year	Total
As of December 31, 2013	**522**	**160,195**	**-**	**-**	**-**	**(2,090)**	**-**	**3,360**	**161,987**
Allocation of 2013 result	-	-	104	95	-	3,536	(375)	(3,360)	-
Dividend distribution	-	(26,355)	-	-	-	(1,444)	-	-	(27,799)
Result for the year 2014	-	-	-	-	-	-	-	(13,636)	(13,636)
Change to translation reserve	-	-	-	-	31	-	-	-	31
Change to consolidation reserve	-	-	-	-	-	-	(123)	-	(124)
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**31**	**2**	**(498)**	**(13,636)**	**120,459**
Allocation of 2014 result [(1)]	-	-	-	-	-	(7,197)	(6,439)	13,636	-
Dividend distribution	-	-	-	-	-	-	-	-	-
Result for the year 2015	-	-	-	-	-	-	-	(10,641)	(10,641)
Change to translation reserve	-	-	-	-	298	-	-	-	298
Change to consolidation reserve	-	-	-	-	-	-	-	-	-
As of December 31, 2015	**522**	**133,840**	**104**	**95**	**329**	**(7,195)**	**(6,937)**	**(10,641)**	**110,117**
Total Group Shareholders' equity									**110,117**
- Capital and reserves attributable to non-controlling interests									261
- Result for the year attributable to non-controlling interests									234
Total equity attributable to non-controlling interests									**495**
Total Shareholders' equity									**110,612**

(1) Approved by the Board of Directors on April 29, 2015

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

€/000	31/12/2015	31/12/2014
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	**(10,407)**	**(13,807)**
Income taxes	4,919	879
Amortization	20,454	22,891
Depreciation	2,659	2,255
Impairment of assets	2,188	-
Financial interest/(income)	15,107	13,051
Gains/losses of disposal	20	41
Change in bad debt provision	622	1,882
Change in slow moving provision	5,914	6,536
Change in provision for risks and charges	3,111	305
Change in employee severance indemities	14	46
Cash flow from operating activities before changes in net working capital	**44,601**	**34,079**
Change in inventories	(4,106)	(12,186)
Change in trade receivables	2,793	(1,451)
Change in trade Payables	(13,001)	4,695
Change in client advance	178	-
Change in other payables/receivables	2,115	(1,332)
Change in suppliers advance	502	-
Change in net working capital	**(11,519)**	**(10,274)**
Income taxes paid	(6,952)	(3,896)
NET CASH FLOW FROM OPERATING ACTIVITIES	**26,130**	**19,908**
Net cash flow from investing activities		
Investment in intangible assets	(4,791)	(25,336)
Investments in property, plant and equipment	(2,626)	(6,746)
Disposal of assets	49	152
Consideration paid for business combination	-	(1,170)
Investments in other financial assets	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**(7,368)**	**(33,100)**
Net cash flow from financing activities		
Bank loans received	-	7,000
Repayment of loans	(1,447)	(79,126)
Bond issue	-	148,500
Repayment of shareholder loan	-	(10,642)
Other changes in net equity	298	-
Dividend paid	-	(27,800)
Net financial interest paid	(9,723)	(7,437)
Bank overdraft	(159)	(285)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(11,031)**	**30,210**
NET CASH FLOW FOR THE PERIOD	**7,731**	**17,018**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**39,039**	**31,308**

TWIN-SET

SIMONA BARBIERI

TWIN SET – SIMONA BARBIERI S.p.A.

Explanatory Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2015

Explanatory Notes to the Consolidated Financial Statements at December 31, 2015

The 2015 Consolidated Financial Statements comprise the Balance Sheet, the Income Statement and the Explanatory Notes.
The Information relating to the Group activities, subsequent events after the year-end, research and development activities and transactions with related parties are reported in the single Director's Report for the Consolidated and Statutory Financial Statements.

General information

The TWIN-SET Group – Simona Barbieri operates in the clothing sector; in particular the Group designs and produces clothing, accessories and women's and children's knitwear, marketed under the brands "TWIN-SET Simona Barbieri" and "SCEE by TWIN- SET."

The consolidated financial statements for the year ended December 31, 2015 report a net loss of Euro 10,641 thousand, after amortization/depreciation and write-downs of Euro 28,336 thousand, net financial expenses of Euro 15,135 thousand and income taxes of Euro 4,919 thousand, for which reference should be made to the comments of the present document and to the Directors' Report.
The additional information considered necessary to provide greater disclosure on the Group's results and financial position is reported in the cash flow statement (Attachment A).

Basis of preparation

The consolidated financial statements were prepared in accordance with Legislative Decree No. 127 of April 9, 1991, in compliance with the Civil Code, and with reference to the Legislative Provisions, interpreted and integrated by the accounting standards of the Italian Accountants Profession (Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili) reviewed by the Italian Accounting Organization (Organismo Italiano di Contabilità, O.I.C.).
The accounting standards reported below were amended through the amendments, supplements and new issues introduced within the Italian GAAP update project in 2014, approved and published definitively by the OIC on August 5, 2014 (with the exception of OIC 24 approved on January 28, 2015).

The accounting principles adopted in the preparation of the consolidated financial statements are in accordance with the provisions of Articles 34 and 35 of Legislative Decree No. 127/1991 and correspond to the accounting policies adopted by the Parent Company; therefore no adjustments or reclassifications were necessary.
The items reported in the financial statements have been stated in accordance with the general principles of prudence and accruals and in accordance with the going concern concept and taking account of 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.
Based on the provisions of Article 2423, Paragraph 4, of the Civil Code, no exceptional cases arose in the year which would give rise to the application of statutory provisions which would be incompatible with a true and fair representation of the financial position and result of the Group.
Finally, there were no difficulties in relation to the identification of the reference date of the consolidated financial statements - December 31, 2014, financial year end of the Parent Company and the subsidiaries.

Financial Statements

It should be noted that:

- the consolidated financial statements were prepared in units of Euro, without decimal amount; any differences arising from the presentation in the financial statements of the accounting values were allocated to a specific reserve for rounding of the balance sheet and to extraordinary income and charges for rounding of the income statement, without any impact on the result for the year;
- the consolidated financial statements, prepared in accordance with the legislation that governs statutory financial statements and consolidated financial statements, consist of the Balance Sheet and Income Statement, prepared in accordance with the requirements of the Civil Code;
- it was not considered necessary, for clarity of the consolidated financial statements to regroup the account items in the balance sheet and in the income statement; these accounts were not further subdivided, nor was there a necessity to adjust them;
- no special circumstances have arisen requiring recourse to exceptions;

- the balance sheet and income statement accounts with zero balance for both years were not reported in the relative statements.

Comparative consolidated financial statements

The comparative year refers to the consolidated financial statements at December 31, 2014. A number of reclassifications were made to the balance sheet and the income statement for the previous year for comparability with the financial statements at December 31, 2015. These reclassifications did not produce any changes in shareholders' equity at December 31, 2014 or in the result for the year.

Consolidation scope

Company	Country	Net Profit/(loss)	Net Equity incl. Result (*)	Year-end	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	(11,509,472)	115,855,985	31/12/2015			
TS SHOES SRL	Italy	1,383,298	5,516,382	31/12/2015	80%	1,476,942	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	(15,587)	322,055	31/12/2015	90%	45,000	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(2,841,168)	(2,302,586)	31/12/2015	100%	-	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(781,192)	120,941	31/12/2015	100%	1,792,707	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(1,280,324)	(738,198)	31/12/2015	100%	1,404,928	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(899,900)	(324,508)	31/12/2015	100%	-	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	(1,053,722)	(2,474,988)	31/12/2015	80%	-	Line-by-line
TS SIMONA BARBIERI EAST LLC (**)	Russia	(65,221,670)	(70,773,474)	31/12/2015	80%	-	Line-by-line

(*) Statutory figures as per local GAAP
(**) in Rubles

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

Translation of financial statements expressed in currency other than the Euro and of accounts in foreign currency

The consolidated financial statements are presented in Euro, which is the Parent Company's operational currency. Transactions in foreign currency are initially recorded at the exchange rate (referred to the operative currency) at the transaction date. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the balance sheet date. All exchange differences are recognized in the income statement. Non-monetary items valued at historical cost in foreign currency are translated by using the exchange rates in effect on the date the transaction was first recorded. Revenues and costs are converted at the average exchange rate which approximates the exchange rate at the date of the respective operations.

The exchange rates utilized for the conversion into Euro of financial statements in foreign currency of the company TS East (against Euro 1) are reported in the following table:

Currency	Average exchange rate 2015	Average exchange rate 2014	Year-end rate December 31, 2015	Year-end rate December 31, 2014
Ruble	68.072032	50.951800	80.673600	72.337000

Consolidation Principles

The accounting policies and principles adopted for the consolidated financial statements are in conformity with legislative requirements (Legs. Decree 127/91) and the accounting policies issued by the Italian Accountants Profession Board (Consiglio Nazionale dei Dottori Commercialisti e Ragionieri), revised by the Italian Accounting Organization (Organismo Italiano di Contabilità, O.I.C.).
The accounting principles adopted for the preparation of the consolidated financial statements represent a true and fair view of the balance sheet and financial position of the Group and of the result for the year.
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. This method includes all of the accounts that constitute the financial statements of the parent company and subsidiary companies, thus eliminating all inter-company receivables and payables between companies included in the consolidation and income and charges, including the elimination of inter-company profits and losses. The value of the investments included in the consolidation is also eliminated against the relative share of net equity.

The share of net equity and of the result for the period pertaining to minority shareholders are recorded respectively in a separate account in Shareholders' Equity "Capital and reserves of minority interests" and in the Income Statement in the account "Profit/(loss) of minority interests".

Consolidation adjustments

The accounting adjustments and consolidation adjustments are as follows:

- The elimination of reciprocal payables and receivables, costs and revenues, between consolidated companies and of the effects of all significant transactions between them. In particular, the purchases/sales were eliminated between the Parent Company and the subsidiaries, as well as the respective receivable and payables of a commercial nature and, where existing, inter-company profits and losses;
- The gains and losses not yet realized deriving from transactions between companies consolidated of the Group, where present, are also eliminated and included at the reporting date under inventories;
- The book value of the investments held by the Parent Company and by the other Group companies in each of the subsidiaries included in the consolidation is eliminated against the relative net equity.

Accounting policies

The accounting policies applied are in accordance with legislative requirements. In particular:

Fixed assets

Intangible assets

Intangible assets are recorded at purchase or production cost, increased by directly allocated accessory charges, 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 financial statements the value of intangible assets, independent of the amortization already recorded, reports a permanent loss in value, 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, but may not exceed the initial value.

Amortization

The amortization of intangible assets, in accordance with the criteria described above, is undertaken in accordance with the present amortization schedule:

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

Tangible fixed assets

Tangible fixed assets are recorded at purchase price, including accessory costs directly attributable to the asset. In the determination of this cost, account is taken of improvement, restoration and modernization expenses. The purchase cost does not include interest on loans for the acquisition of assets.
Extraordinary maintenance expenses are recorded as an increase to the historical cost of the asset to which they refer.
Tangible fixed assets are written-down if there is a permanent impairment in their value; the original value is restated if the reasons for their write-down no longer exist, adjusted only 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 & EQUIPMENT	Rate %
Light constructions	10.0%
Plant and machinery	12.5%/duration of underlying contract (residual rental duration)
Industrial and commercial equipment	20%, 25%
EDP	20%, 33.3%
Furniture and fittings	10%, 12%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516.46 (for Italy)	100.0%

For the tangible fixed assets acquired during the year, the above-mentioned rates are reduced by half, considered as representative of the lower utilization of these assets, presuming that their participation in the production process is on average half of the year.
For assets with a unitary cost not above Euro 516, for Italy, the depreciation period is considered to be not beyond one year.
It is recalled that the Parent Company in 2012 undertook a merger operation (with greater details reported in the 2012 and 2013 Annual Accounts) which incorporated the opening balances of the assets and relative accumulated depreciation of the incorporated company; in relation to these fixed assets, the depreciation schedules of the incorporated company remained unchanged, as considered representative of their future utilisation.

Financial assets

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

Current assets

Inventories

Inventories are measured at the lower of costs incurred and net realizable value. The cost of inventories includes all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. In particular, for products acquired and held for resale and for direct or indirect materials, acquired and utilized in the production cycle, the historical cost adopted is the purchase cost.
For the products already produced or in the course of production, the historical cost adopted is the production cost. For the determination of the purchase cost, reference is made to the actual cost incurred, including any directly allocated accessory charges including transport and customs expenses, less any commercial discounts. For the determination of the production cost, reference is made to the purchase cost, as previously indicated, plus the production or transformation expenses, therefore direct and indirect costs, for the portion reasonably allocated to the product relating to the production period.
The cost method utilized is the weighted average cost for the period which takes account of the value of the initial inventories.
Where it is no longer possible to 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. The adjustment to realizable value is made adjusting the nominal value of the receivables, taking into account losses for non-recovery, returns and adjustments to invoices, discounts and premiums not matured and other reasons for lower realizable value. In particular, a doubtful debt provision is recorded as a direct deduction of the nominal value recorded under assets for the losses of reasonably foreseeable non-recoverable amounts, relating to the receivables stated in the financial statements. The provision is determined through an analysis of the individual receivables and all other matters existing or expected to occur.
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 respect of certain of probable losses or liabilities, the amount or due date of which could not be determined at period-end.

The valuation of risks and charges which are dependent on future events considers also the information available after the period-end and up to the preparation of the present financial statements.

The provisions reflect the best estimate on the basis of available information at the reporting date. Potential liabilities which are only considered possible are described in the notes.

Employee severance indemnities

The employee severance indemnities recorded in the financial statements represent the actual debt of the Company with its employees at the reporting date, net of any advances 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

The payables of the Company, both of a commercial and financial nature, are recorded for amounts corresponding to 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

As an attachment to the Balance Sheet and to the Explanatory Notes, for a true and fair representation of the financial statements, the risks and commitments relating to the Group recorded on the basis of the documentation available and the relative valuations are provided.

Revenue 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 financial statements and the corresponding fiscal values, arising or cancelled in the period.

In compliance with the prudence principle, deferred tax liabilities on the suspended taxes reserve are not recorded when there is a limited probability of distributing these reserves to Shareholders and the deferred tax assets are only recorded where there is reasonable certainty of their recovery.

In this regard, for the Italian Group companies, Article 1, paragraph 61 of the 2016 Stability Law establishes that, with effect for tax periods subsequent to December 31, 2016 (and therefore effective from January 1, 2017), the IRES rate will be 24% instead of the current 27.5%. It was therefore necessary to adjust the tax rates to be applied for the calculation of deferred tax assets/liabilities.

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 at December 31, 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 period-end and recorded in the income statement, is recorded in a specific non-distributable reserve until the gain is realized. Revenues and costs are converted at the average exchange rate which approximates the exchange rate at the date of the respective operations.

Derivative instruments

The Group holds derivative financial instruments in order to hedge its exposure to the risk of interest rate and exchange rate movements.
The derivative contracts are considered hedges 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.
The derivative contracts which do not have the above features are considered speculative contracts. In this case, at the end of each year a market valuation is made of these instruments and any loss in value recorded to the income statement.

Use of estimates

The preparation of the present consolidated financial statements requires that management draw up estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and potential liabilities at the balance sheet date. The estimates and assumptions used are based on past experience and other 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.

Comments on the Asset and Liability Accounts

The changes in the asset and liability accounts are illustrated in the schedules below.

Assets

There are no financial charges posted to items in assets in the balance sheet for the year.

Fixed assets

The following schedules illustrate the changes in the intangible, tangible and financial fixed assets, 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.
At the reporting date, there are no fixed assets whose value is permanently below the net book value.

Intangible assets

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

CHANGES IN INTANGIBLE ASSETS (ART.38, par. 1, lett. c) Legs. Decree 127/91)

ACCOUNT	31/12/2014			Changes in the year							31/12/2015		
in Euro	Historic cost	Acc. amort.	NBV	Acquisitions	Reclass.	Decreases			Amortisation	Exc. diffs.	Historic cost	Acc. amort.	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	Historic cost	Acc. amort.	Write-downs	2015	2015	31/12/2015	31/12/2015	31/12/2015
Start up and formation expenses	1,357,213	(540,586)	816,627	21,816	-	-	-	-	(255,642)	-	1,379,029	(796,228)	582,801
Industrial patents and intellectual property	4,563,542	(2,410,499)	2,153,043	1,361,546	2,335,456	(264,824)	264,824	-	(1,702,551)	(403)	7,995,317	(3,848,226)	4,147,091
Concessions, licenses, trademarks & similar rights	29,307,050	(3,415,080)	25,891,970	117,430	-	-	-	-	(1,580,087)	-	29,424,480	(4,995,167)	24,429,313
Goodwill	218,164,713	(23,234,003)	194,930,710	298,000	-	-	-	-	(11,819,282)	-	218,462,713	(35,053,285)	183,409,428
Assets in progress and advances	2,585,832	-	2,585,832	312,294	(2,490,790)	(20,286)	-	-	-	2,215	389,265	-	389,265
Other intangible assets	40,986,789	(7,852,204)	33,134,585	2,679,920	155,334	(454,226)	452,016	(1,315,326)	(5,095,928)	(73,518)	43,294,299	(13,811,442)	29,482,857
Total intangible assets	**296,965,139**	**(37,452,372)**	**259,512,767**	**4,791,006**	**-**	**(739,336)**	**716,840**	**(1,315,326)**	**(20,453,490)**	**(71,706)**	**300,945,103**	**(58,504,348)**	**242,440,755**

The start up and formation expenses include incorporation expenses and formation expenses incurred by the Parent Company and its subsidiaries.
These expenses increased in the year by Euro 22 thousand, due to costs incurred by the overseas subsidiaries (TS France, TS Belgium and TS Spain) for share capital increases.

Industrial patents and intellectual property rights include the costs for software licenses for indefinite use, principally held by the Parent Company.
The increases and the reclassifications in the year, totaling Euro 3,697 thousand, are principally related to costs incurred by the Parent Company for IT consultancy and in particular: Euro 3,229 thousand - of which Euro 2,302 thousand reclassified from Assets in progress in 2014 - for the purchase and installation of the new Oracle JD Edwards operating

system (whose go-live took place on January 1, 2015), Euro 203 thousand for IT consultancy, mainly for the implementation of the *MPsoft* operating system, Euro 66 thousand for the introduction of the *"PLM"* software, designed for the management of product technical information (the first phase of the project concerned the basic functionality and the first product technical sheet concluded in 2014; the second phase for the development of the software modules in support of the "costing and pricing" process concluded at the end of 2015), Euro 91 thousand for costs incurred for the Shopping On line project, Euro 25 thousand for the analysis, application and personalization of the software for the "Store 2" retail channel at the new stores opened in 2015 and the installation of StoreWeb at the franchised stores (this software enables immediate consultation of the sales performance of each individual article).
The decreases for the year relate to the fact that the Parent Company, following the launch of the new Oracle JD Edwards operating system cancelled the licenses related to the old operating system, which had a historic cost of Euro 265 thousand.

"Concessions licenses, trademarks and similar rights" reflects at year-end the net book value of the brand held by the Parent Company – "TWIN - SET Simona Barbieri", in addition to minor brands, principally "SCEE ", "Baby TWIN - SET" and "Girl", in relation to which the Parent Company made investments – Euro 117 thousand - for maintenance and/or new registrations of existing trademarks in their respective territories.
This account includes also the allocation of purchase price excess arising from the merger of Light Force and Fuori dal Sacco 2 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.
Finally, it is recalled that in the financial statements at December 31, 2005, the incorporated LF undertook, on the basis on an experts opinion, the monetary revaluation of the above-mentioned brand, as permitted by Law 266/05 for Euro 1 million; consequently in accordance with Article 10 of Law No. 72 of March 19, 1983 and in accordance with subsequent laws on monetary revaluation and for a better understanding of the changes in the cost of this trademark, we summarize the movements below:

Description	Initial historical cost	Revaluation Law 266/2005	Cumulative increases	Allocation of merger deficit	Historical cost at 31/12/2015
"Twin Set - Simona Barbieri" trademark	8,071	1,000,000	272,454	27,380,297	28,660,822

Goodwill totals at December 31, 2015 Euro 183,409 thousand and includes for Euro 172,991 thousand the net book value of goodwill resulting from the allocation of premium paid arising from the merger previously described, amortized on a straight-line basis over twenty years. This also includes costs incurred by the Parent Company and by TS France (totaling Euro 9,519 thousand) with reference to the commercial goodwill acquired within the Retail development. The residual part concerns the goodwill of the two subsidiaries TS Shoes (Euro 762 thousand) and Tessitura Sidoti (Euro 137 thousand).
The increase in the year of Euro 298 thousand relates to the goodwill paid by the Parent Company for the new Boutique in Salerno.

Intangible assets in progress and advances total Euro 389 thousand and comprise Euro 377 thousand of assets of the Parent Company and specifically: Euro 166 thousand of costs concerning IT projects to be completed in 2016, Euro 98 thousand of costs incurred for the design and development of the new offices, Euro 72 thousand of costs incurred for the opening of two new Boutiques scheduled for the end of March/beginning of April 2016 and the restructuring of the Milan Show Room and Euro 41 thousand of costs incurred for the implementation of a number of Shopping On line projects. The remaining Euro 12 thousand concerns costs incurred by the subsidiary TS Belgium for the opening of a new Boutique scheduled for March 2016.

Other intangible assets amount to Euro 29,483 thousand and principally comprise leasehold improvements (for a total of Euro 8,326 thousand), of which: Euro 4,881 thousand concerning the Parent Company, Euro 1,415 thousand concerning TS Spain, Euro 570 thousand concerning TS Belgium, Euro 539 thousand concerning TS France, Euro 497 thousand concerning TS Deutschland and Euro 424 thousand concerning TS East and deferred costs incurred for the acquisition of rental contracts and transaction charges for strategic stores (for a total of Euro 17,207 thousand, of which: Euro 8,798 thousand concerning the Parent Company, Euro 3,037 thousand concerning TS Deutschland, Euro 2,106 thousand concerning TS France, Euro 1,564 thousand concerning TS Spain, Euro 1,110 thousand concerning TS Belgium and Euro 158 thousand concerning TS East) and costs incurred by the Parent Company following the issue of the Bond (Euro 4,381 thousand).
The increases and reclassifications of the year for Euro 2,835 thousand relate principally to expenses incurred in 2015 by the Parent Company for the opening of the sales points at Siena, Catania and Salerno and the restructuring of the Milan Show Room, by TS East for the opening of 2 stores in Moscow and by TS Spain for the opening of the Boutique in Puerto Banus.

The decreases in the year principally relate to the Outlet at Valmontone, immediately re-opened in a more strategic location in the same shopping center and the closure of the Milan Pontaccio store in January 2016.

Tangible fixed assets

The changes during the year of the tangible fixed assets were as follows:

CHANGES IN PROPERTY, PLANT & EQUIPMENT (ART.38, par. 1, lett. c) Legs. Decree 127/91)

ACCOUNT	31/12/2014 [1]			Changes in the year						31/12/2015			
in Euro	Historic cost	Acc. deprec.	NBV	Acquisitions	Reclass.	Decreases			Depreciation	Exc. diffs.	Historic cost	Acc. deprec.	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	Historic cost	Acc. deprec.	Write-downs	2015	2015	31/12/2015	31/12/2015	31/12/2015
Land and buildings	29,881	(8,229)	21,652	-	-	-	-	-	(2,888)	-	29,881	(11,117)	18,764
Plant and machinery	13,125,607	(7,583,442)	5,542,165	959,029	29,865	(26,697)	20,154	(534,582)	(958,640)	-	14,087,804	(9,056,510)	5,031,294
Industrial and commercial equipment	1,208,476	(803,280)	405,196	316,642	-	(153,094)	142,563	(45,879)	(365,531)	22,124	1,394,148	(1,072,127)	322,021
Other tangible assets	9,762,588	(4,060,290)	5,702,298	1,350,906	2,307	(167,869)	138,205	(292,288)	(1,331,520)	(90,900)	10,857,032	(5,545,893)	5,311,139
Construction in progress and advances	32,037	-	32,037	-	(32,172)	-	-	-	-	136	-	-	-
Total property, plant and equipment	**24,158,589**	**(12,455,241)**	**11,703,348**	**2,626,577**	**-**	**(347,660)**	**300,922**	**(872,749)**	**(2,658,579)**	**(68,640)**	**26,368,865**	**(15,685,647)**	**10,683,218**

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

<u>Land and buildings</u> amount to Euro 19 thousand and refer to light constructions.

<u>Plant and machinery</u> includes specific and general plant, installed at the premises, factories and warehouses, as well as at the stores and outlets, of weaving and hat and shoe production machinery.
The increases and reclassifications in the year, totaling Euro 989 thousand, concern investments by the Parent Company (Euro 708 thousand) and its subsidiaries (Euro 281 thousand), principally for the installation of electric, lighting and video-surveillance plant at the new stores and Outlets opened in 2015 and particularly at Salerno, Catania, Siena, Limidi di Soliera, the Milan Show Room, Puerto Banus and the two Moscow stores.

<u>Industrial and commercial equipment</u> amount to Euro 322 thousand and principally includes equipment for the ironing, moulds and cutting tools section and commercial equipment at the various stores and outlets managed directly.
The increases in the year totaling Euro 317 thousand (of which Euro 120 thousand the Parent Company), are related principally to the acquisition of equipment both for the new stores opened/restructured in the year (Euro 70 thousand) and for existing stores (Euro 58 thousand). The residual part of the increases concerns the subsidiary Twin Set Shoes (for Euro 159 thousand), principally for the purchase of moulds and cutting tools.
The decreases in the year concern for Euro 131 thousand the disposal of moulds and cutting tools no longer appropriate for the production of the subsidiary TS Shoes.

<u>Other tangible assets</u> amount to Euro 5,311 thousand and principally relate to office and factory furnitures and fittings, furniture and fittings for the various directly managed stores and outlets, EDP and transport and motor vehicles.
The increases and the reclassifications in the year, totaling Euro 1,353 thousand, are related to the purchase of furniture and fittings and EDP, principally for the stores and Outlets opened/restructured in the year (for a total of Euro 1,100 thousand, of which Euro 662 thousand concerning the Parent Company), in addition to existing stores. They also relate to the purchase of ordinary operating assets.
The decreases in the year principally concern goods given as gifts, sold or disposed of as obsolete by the Parent Company (historic cost of Euro 96 thousand, with a net book value of Euro 24 thousand).

The disposals and restyling in the year resulted in losses totaling Euro 23 thousand, recognized to other operating charges, and gains of Euro 3 thousand recognized to other revenues.

Finance leases

There are no finance lease contracts.

IMPAIRMENTS

Depreciation and amortization (including of goodwill) was carried out on a straight-line basis, as previously outlined. During the year, the Company performed the analysis of the recoverability of the value of fixed assets through Impairment Tests, which highlighted indicators of potential losses in value following the under-performance of some overseas stores.
Therefore, in accordance with OIC 9, the value in use of the assets was established through the discounting of future cash flows according to the 2016 budget - upon which projections for the years 2017-2019 were thereafter made - approved by the BoD on January 26, 2016. The discount rate post-tax calculation used for the was 8.51%, while the growth rate established for the calculation of the terminal value considered the GDP growth rate of the countries in which the company operates and was 1.16%. On the basis of the Impairment Test, write-downs were made on the assets of the German subsidiary for a total of Euro 2,188 thousand, of which Euro 1,315 thousand concerning tangible assets and Euro 873 thousand concerning intangible assets, while no further write-down was made to the goodwill recognized to the

consolidated financial statements.

Financial fixed assets

In relation to the changes in financial fixed assets, reference should be made to the table below:

in Euro	31/12/2014 (1)				Changes in the year		31/12/2015			
FINANCIAL FIXED ASSETS	**Cost**	**Reval.**	**Write-downs**	**NBV**	**Increases**	**Decreases**	**Cost**	**Reval.**	**Write-downs**	**NBV**
Investments in							-			-
- Other companies	5	-	-	5	-	-	5	-	-	5
Receivables							-			-
- Other	91,531	-	-	91,531	-	(91,531)	-	-	-	-
- Other guarantee deposits	1,212,598	-	-	1,212,598	50,400	(133,014)	1,129,984	-	-	1,129,984
Total Financial Fixed Assets	**1,304,134**	**-**	**-**	**1,304,134**	**50,400**	**(224,545)**	**1,129,989**	**-**	**-**	**1,129,989**

1- 31.12.14 figures reclassified for comparability with 31.12.15

Rental deposits at December 31, 2015 totaled Euro 1,130 thousand, of which Euro 553 thousand concerning the Parent Company, Euro 337 thousand concerning TS Spain, Euro 164 thousand concerning TS East, Euro 73 thousand concerning TS France and Euro 3 thousand concerning TS Belgium.
The investments in other companies for Euro 5 refer to the holding of the Parent Company in the Consortium CONAI.
Other financial asset receivables at December 31, 2014 totaled Euro 92 thousand and are related to a restricted current account opened by the subsidiary Tessitura Sidoti, which was closed in 2015.
There are no investments in companies resulting in an unlimited responsibility for commitments undertaken (Article 2361 of the Civil Code).

FAIR VALUE OF FINANCIAL INVESTMENTS, OTHER THAN INVESTMENTS IN SUBSIDIARIES

The book value of the investment in the Obligatory National Packaging Consortium - Conai was however identified as not below its fair valuee.

C. Current Assets

Inventories

In relation to the changes in inventories, reference should be made to the following tables:

In Euro	31/12/2015	31/12/2014	Changes
Raw materials, ancillary and consumables	3,647,546	5,475,261	(1,827,715)
Work in progress and semi-finished products	2,606,736	4,863,386	(2,256,650)
Finished goods	51,215,407	48,939,898	2,275,509
Total	**57,469,689**	**59,278,545**	**(1,808,856)**

In Euro	31/12/2014	Provisions	31/12/2015
Raw material obsolescence provision	(1,247,491)	(1,417,627)	(2,665,118)
Semi-finished products obsolescence provision	-	-	-
Finished goods obsolescence provision	(7,806,307)	(4,497,453)	(12,303,760)
Total	**(9,053,798)**	**(5,915,080)**	**(14,968,878)**

Inventories, valued in accordance with the criteria previously illustrated, comprise:

- raw materials, ancillary and consumables of Euro 3,648 thousand, net of the obsolescence provision of Euro 2,665 thousand (Euro 1,247 thousand at 31.12.2014), relating to yarns, textiles, accessories, hides and glues;
- work in progress and semi-finished products, amounting to Euro 2,607 thousand, referring to clothing and footwear in production not completed at year-end;
- finished goods, amounting to Euro 51,215 thousand, net of the relative obsolescence provision of Euro 12,304 thousand (Euro 7,806 thousand at December 31, 2014) comprise garments and footwear produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

Inventories, net of the obsolescence provision, reduced Euro 1,809 thousand. This is due to the improved production chain planning, which reduced latest season stock (in particular the AI15 season), despite the development of the Retail channel implicated additional season-end inventory. This generation of inventory moved in line with the increased obsolescence provision.

The obsolescence provision, amounting to Euro 14,969 thousand, recorded as a direct reduction of inventories at December 31, 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.

Receivables

The changes in receivables are shown in the table below:

CHANGES IN RECEIVABLE ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91

in Euro	31/12/2015	31/12/2014 [(1)]	Changes
Trade receivables	40,171,495	43,586,797	(3,415,302)
Tax receivables	3,748,290	4,993,660	(1,245,370)
Deferred tax assets	9,518,339	7,797,093	1,721,246
Other receivables	550,053	721,394	(171,341)
Total	**53,988,177**	**57,098,944**	**(3,110,767)**

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

Trade receivables, amounting to Euro 40,171 thousand (Euro 43,587 thousand at December 31, 2014), refer to trade receivables for the sale of products produced and distributed by the Parent Company for Euro 39,546 thousand, by the subsidiary Tessitura Sidoti for Euro 478 thousand and by the subsidiary Twin Set Shoes for Euro 139 thousand. The remaining Euro 8 thousand concerns receivables of the subsidiary TS Deutschland for the recharging of costs to a supplier.

These receivables are reported net of the doubtful debt provision, amounting to Euro 5,208 thousand, against the risk of potential losses. The movements in 2015 are as follows:

in Euro	31/12/2014	Provisions	Utilisations	31/12/2015
Doubtful debt provision	4,586,129	3,036,359	(2,414,018)	5,208,470

Tax receivables, amounting to Euro 3,748 thousand (Euro 4,994 thousand at December 31, 2014), principally comprise VAT receivables of Euro 2,755 thousand (Euro 3,572 thousand at December 31, 2014), of the Parent Company (Euro 1,701 thousand) and of various group companies from the tax authorities in the respective countries, 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 242 thousand and by the subsidiary TS Spain for Euro 203 thousand and other tax receivables of Euro 306 thousand.

The deferred tax assets refer to temporary differences fiscally deductible in future years. These receivables concern the Parent Company for Euro 8,005 thousand.
Reference should be made to the "Income taxes" section of the comments on the income statement accounts for a breakdown of the items and changes in the year and to the table below relating to maturity.
Other receivables principally refer to receivables from suppliers and customers not offset with payables at year-end for advances and credit notes to be received, totaling Euro 392 thousand (Euro 511 thousand at December 31, 2014).

RECEIVABLES THAT PROVIDE FOR THE OBLIGATION OF RETROCESSION

The company does not have any operations with the obligation of retrocession.

BREAKDOWN OF RECEIVABLES BY REGION

The changes in the year are shown in the table below:

CLIENTS BY REGION	2015 %	2014 %
ITALY	76.1%	76.1%
EU	21.0%	18.3%
Non EU	2.9%	5.6%
TOTAL	**100.0%**	**100.0%**

The geographic breakdown of the receivables of the Group is illustrated in the above table, while other receivables are almost entirely in Italy.

MATURITY OF RECEIVABLES

The maturity of receivables at December 31, 2015 is reported in the table below:

CHANGES IN RECEIVABLE ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91

in Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years
Trade receivables	40,171,495	40,171,495	-
Tax receivables	3,748,290	3,748,290	-
Deferred tax assets	9,518,339	4,209,691	5,308,648
Other receivables	550,053	550,053	-
Total Receivables	**53,988,177**	**48,679,529**	**5,308,648**

Financial assets not held as fixed assets

At the reporting date of the present financial statements, the Group does not have financial assets not held as fixed assets.

Cash and cash equivalents

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

CHANGES IN OTHER ASSET & LIABILITY ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91)

in Euro	31/12/2015	31/12/2014	Changes
Bank and postal accounts	38,805,765	31,124,905	7,680,860
Cheques	-	-	-
Cash on hand	233,320	183,450	49,870
Total cash and cash equivalents	**39,039,085**	**31,308,355**	**7,730,730**

For a better understanding of the changes in cash and cash equivalents, reference should be made to the cash flow statement.

Accrued income and prepaid expenses

The account at December 31, 2015 totaled Euro 2,314 thousand (Euro 2,625 thousand at December 31, 2014) and included the discount on the issue of the bond loan of the Parent Company for Euro 1,066 thousand (the portion beyond one year totaled Euro 300 thousand) and the following prepaid expenses of Euro 1,247 thousand:

CHANGES IN OTHER ASSET & LIABILITY ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91)

Prepaid expenses	31/12/2015	31/12/2014	Change
Trade fairs	-	95,426	(95,426)
Hire	58,989	68,663	(9,674)
Rental	424,897	483,034	(58,137)
Services	250,224	337,267	(87,043)
Consultants	233,602	10,809	222,793
Insurance	82,913	84,700	(1,787)
Franchising	189,444	152,875	36,569
Other	7,179	8,117	(938)
Total	**1,247,248**	**1,240,891**	**6,357**

Services totaling Euro 250 thousand (Euro 337 thousand at December 31, 2014) principally concern prepaid expenses on assistance contracts, condominium expenses, telephone expenses and licenses; the sub-item Consultancy mainly includes prepaid expenses on IT consultancy and financial consultancy.

The Franchising sub-item of Euro 189 thousand (Euro 153 thousand at December 31, 2014) concerns the initial start-up cost incurred by the Parent Company and recognized over the duration of the franchising contracts.
There are no accrued income and prepaid expenses with duration of more than five years.

Liabilities

Shareholders' Equity

The following table provides details of the movements in shareholders' equity:

CHANGES IN EQUITY ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91)

in Euro	Share capital	Share premium reserve	Legal reserve	Exchange gains reserve	Translation reserve	Retained earnings Twin Set SPA	Retained earnings OTHERS	Net Profit/(loss)	Total
At 31/12/2013	**522,400**	**160,195,262**	**-**	**-**		**(2,090,010)**	**-**	**3,359,793**	**161,987,445**
Allocation of the 2013 result			104,480	95,055		3,534,898	(374,640)	(3,359,793)	-
Distribution of dividends		(26,355,113)				(1,444,888)			(27,800,001)
Result 2014								(13,635,872)	(13,635,872)
Translation reserve					31,310				31,310
Change to consolidation reserve							(123,262)		(123,262)
At 31/12/2014	**522,400**	**133,840,149**	**104,480**	**95,055**	**31,310**	**-**	**(497,902)**	**(13,635,872)**	**120,459,620**
Allocation of 2014 result [1]						(7,196,627)	(6,439,245)	13,635,872	-
Distribution of dividends									-
Result 2015								(10,640,474)	(10,640,474)
Translation reserve					298,376		(23)		298,353
At 31/12/2015	**522,400**	**133,840,149**	**104,480**	**95,055**	**329,686**	**(7,196,627)**	**(6,937,170)**	**(10,640,474)**	**110,117,499**
TOTAL GROUP NET EQUITY									**110,117,499**
- Minority interest capital and reserves									261,011
- Minority interest profit/(loss)									233,766
TOTAL MINORITY INTEREST NET EQUITY									**494,777**
TOTAL NET EQUITY									**110,612,276**

1 - as per Shareholder' Meet. of April 29, 2015

On June 20, 2013 a share capital increase was approved of Euro 22 thousand, subscribed and paid-in for Euro 16 thousand by the Shareholder CEP III Partecipations S.à r.l. SICAR and for Euro 6 thousand by MO.DA Gioielli S.r.l., with share premium of Euro 6,995 thousand, respectively of Euro 5,037 thousand and Euro 1,959 thousand. This increase derives from the Earn Out within the acquisition contract of July 25, 2012 concluded in the previous year. Following this operation, the share capital of the Parent Company totaled Euro 522 thousand, fully paid-in.

As previously stated, on July 1, 2015 The Carlyle Group and Simona Barbieri acquired from Mo.Da Gioielli S.r.l. its 28% minority holding in the Company, together with the shareholder loan between Mo.Da as lender and the Company as borrower. Specifically, The Carlyle Group acquired 18% of the Company, taking its total investment to 90%, while Simona Barbieri directly acquired 10%.

RECONCILIATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation between the net profit/(loss) and the equity of the Parent Company at December 31, 2015 resulting from the financial statements of the parent company and the consolidated financial statements is reported below:

RECONCILIATION OF PARENT AND CONSOLIDATED NET RESULT AND NET EQUITY

Reclassification accounts	Net Equity 31/12/2014	Net Result 31/12/2014	Net Equity 31/12/2015	Net Result 31/12/2015
Financial statements of TWIN SET - Simona Barbieri S.p.A.	**127,365,457**	**(7,196,627)**	**115,855,984**	**(11,509,473)**
- Elimination of carrying value of investments in subsidiaries	1,013,377	1,013,377	10,988,783	9,975,406
- Result reported by subsidiaries	(5,764,383)	(5,380,114)	(14,250,139)	(8,493,581)
- Amortisation of start up and formation expenses	(118,261)	(118,261)	(236,522)	(118,261)
- Elimination of inter-company profits/losses	(2,036,570)	(1,954,247)	(2,240,607)	(494,565)
Net Equity and Net Result - Group	**120,459,620**	**(13,635,872)**	**110,117,499**	**(10,640,474)**
Net Equity and Net Result - Minority interests	**268,845**	**(171,200)**	**494,777**	**233,766**
Net Equity and Net Result - Consolidated	**120,728,465**	**(13,807,072)**	**110,612,276**	**(10,406,708)**

NUMBER AND NOMINAL VALUE OF EACH CATEGORY OF SHARES OF THE COMPANY AND NUMBER AND NOMINAL VALUE OF THE NEW SHARES OF THE COMPANY SUBSCRIBED DURING THE PERIOD

On July 9, 2014, the Parent Company changed its legal form from a “limited liability company” to a “public limited company”. In accordance with that stated above, 522,400 shares were issued, with a nominal value of Euro 1.00.

EQUITY ALLOCATED TO A SPECIFIC BUSINESS

The Parent Company does not have equity allocated to a specific business.

Provisions for risks and charges

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

in Euro	31/12/2014 (1)	Provisions	Utilisations	31/12/2015
Provision for pensions and similar obligations	2,594,317	2,073,584	(235,685)	4,432,216
Provision for taxation, including deferred tax liabilities	7,768,304	11,405	(1,228,173)	6,551,536
Provisions for risks and charges	461,357	252,600	(80,000)	633,957
Provision for returns	1,596,659	2,697,000	(1,596,659)	2,697,000
Total Provision for risks and charges	**12,420,637**	**5,034,589**	**(3,140,517)**	**14,314,709**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

The provision for pensions and similar obligations refers almost exclusively to the Parent Company (Euro 4,431 thousand) and are related 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 the Italian agents and sector agreements for the overseas agents and were recorded under service costs in the Income Statement.

The provision for taxation including deferred tax liabilities of Euro 6,552 thousand refers to the deferred tax liabilities recorded by the Group, which is described in further detail in the “Income tax” section of the comments to the income statement accounts.

The other risk provisions include:

- the risk provision concerning potential disputes with third parties amounting to Euro 634 thousand. In the second half of 2015, a dispute was concluded which resulted in a utilization of Euro 80 thousand. Euro 253 thousand was also provisioned for disputes settled in the year.

- the provision for returns on sales is accrued on the basis of the estimated and expected returns relating to sales made during the year 2015, the accrual is booked in the income statement in the operating costs.

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

Provision for employee severance indemnities

The provision reflects the liability of the Italian companies at December 31, 2015 to all employees at that date, less advances made and transfers to the INPS Treasury Fund and the Open Funds.
The changes in 2015 were as follows:

CHANGES IN SEVERANCE INDEMNITIES (ART. 38., para. 1, lett. c) Legs. Decree 127/91)

in Euro	31/12/2014	Provisions	Decreases	31/12/2015
Severance indemnity liability	721,193	89,961	(79,768)	731,386
Advances	(90,329)	(6,663)	3,689	(93,303)
Payments to supplementary funds	65,644	238,950	(232,491)	72,103
Total	**696,508**	**322,248**	**(308,570)**	**710,186**

The increase in payments to the provisions, totaling Euro 239 thousand, is due to the expanded Group workforce, both in terms of the Retail channel and headquarters.
Employee severance indemnity costs in 2015 (including the sums allocated to external funds) are broken down as follows:

Severance indemnity liability	2015	2014
INPS Treasury Fund	949,446	1,055,555
Other supplementary funds	234,818	4,098
Company fund	89,513	65,731
QUIR fund	351	-
Total	**1,274,128**	**1,125,384**

Payables

The changes in payables are shown in the table below:

CHANGES IN PAYABLE ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91)

in Euro	31/12/2015	31/12/2014 (1)	Changes
Bonds	150,000,000	150,000,000	-
Shareholder loan	75,169,816	70,188,390	4,981,426
Bank loans	890,065	2,496,019	(1,605,954)
Client advances	1,440,815	1,263,050	177,765
Trade payables	42,992,236	55,992,583	(13,000,347)
Tax payables	3,393,573	2,519,436	874,137
Social security payables	1,262,871	1,169,121	93,750
Other payables	4,367,588	3,279,058	1,088,530
Total	**279,516,964**	**286,907,657**	**(7,390,693)**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

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 The Carlyle Group for Euro 75,170 thousand, including interest matured in the year. The loan matures in 2020, with capitalized interest at an annual rate of 7%. The above-stated loan was acquired by The Carlyle Group on July 1, 2015 from Mo.Da Gioielli.

Bank loans consist of bank overdrafts totaling Euro 138 thousand (Euro 297 thousand at December 31, 2014) and loans totaling Euro 752 thousand (Euro 2,199 thousand at December 31, 2014). The reduction in bank loans is due to the repayment of loans during the year.

The following table reports the breakdown of residual loans at December 31, 2015 compared to December 31, 2014:

Lender	31/12/2014	Changes in the year		31/12/2015	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	beyond 5 years
CARISBO	410,754	(204,076)	-	206,678	29/12/2016	206,678	-	206,678	-
CARIGE	164,322	(164,322)	-	-	31/12/2015	-	-	-	-
BPER (3564210)	692,478	(304,154)	-	388,324	29/01/2017	310,181	78,143	388,324	-
BPER - SACE (2895788)	568,761	(568,761)	-	-	30/12/2015	-	-	-	-
BANCA POP. COMM.& IN	362,287	(205,330)	-	156,957	21/09/2016	156,957	-	156,957	-
Total	**2,198,602**	**(1,446,643)**	**-**	**751,959**		**673,816**	**78,143**	**751,959**	**-**

Client advances, amounting to Euro 1,441 thousand (Euro 1,263 thousand at December 31, 2014) refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 42,992 thousand (Euro 55,993 thousand at December 31, 2014) refer to payables for the supply of goods and services for Euro 36,562 thousand (Euro 49,696 thousand at December 31, 2014) and payables to agents for commissions of the Parent Company for Euro 6,220 thousand (Euro 6,297 thousand at December 31, 2014).
The amount includes also the payable of the Parent Company to Mo.da Gioielli for Euro 211 thousand.
The decrease of Euro 13,000 thousand compare to December 31, 2014 is principally due to the payment of the 2014 back log (Capex and goods) and the reduction in payables related to production and external works due to the combined effect of timing differences and long transports delays due to the increased use of shipping transports.

Tax payables, amounting to Euro 3,394 thousand (Euro 2,519 thousand at December 31, 2014) are recorded net of payments in advance, withholding taxes and tax credits legally offset. This item includes payables for definite tax liabilities of the Group.
In particular, the amount refers to employee and consulting withholding taxes for Euro 1,317 thousand (Euro 1,057 thousand at December 31, 2014), the IRES payables of the Parent Company for Euro 1,500 thousand (Euro 832 thousand at December 31, 2014), the IRAP payable of the Parent Company for Euro 246 thousand, the VAT payable for Euro 187 thousand, the residual payable following the Italian tax authority assessment for fiscal year 2013 of the parent company for Euro 89 thousand and other tax payables of Euro 55 thousand.

Social security payables, amounting to Euro 1,263 thousand (Euro 1,169 thousand at December 31, 2014), principally refer to INPS payables for Euro 1,098 thousand (Euro 921 thousand at December 31, 2014), ENASARCO for Euro 129 thousand (Euro 105 thousand at December 31, 2014), INAIL for Euro 8 thousand (Euro 31 thousand at December 31, 2014) and other social security institutions for Euro 29 thousand (Euro 112 thousand at December 31, 2014). The payables principally concern the Parent Company and the subsidiaries Twin Set Shoes and Twin Set France.

Other payables, amounting to Euro 4,368 thousand (Euro 3,279 thousand at December 31, 2014), include payables to employees for salaries, vacations, 13th and 14th month and relative contributions totaling Euro 4,102 thousand (Euro 2,491 thousand at December 31, 2014), payables of the Parent Company for deposits received for Euro 79 thousand (unchanged on December 31, 2014) and other payables for Euro 187 thousand (Euro 598 thousand at December 31, 2014).

PAYABLES WITH THE OBLIGATION OF RETROCESSION

The company does not have any operations with the obligation of retrocession.

MATURITY OF PAYABLES

The changes in the year are shown in the table below:

BREAKDOWN OF PAYABLE ACCOUNTS (ART. 38, par. 1, lett. e) Legs. Decree 127/91)

in Euro	Total	Amounts due within 1 year	Amounts due from 1 to 5 years	Amounts due beyond 5 years
Bonds	150,000,000	-	150,000,000	-
Shareholder loan	75,169,816	-	75,169,816	-
Bank loans	890,065	811,922	78,143	-
Client advances	1,440,815	1,440,815	-	-
Trade payables	42,992,236	42,992,236	-	-
Tax payables	3,393,573	3,393,573	-	-
Social security payables	1,262,871	1,262,871	-	-
Other payables	4,367,588	4,367,588	-	-
Total Payables	**279,516,964**	**54,269,005**	**225,247,959**	**-**

BREAKDOWN OF PAYABLES BY REGION

The geographic breakdown of suppliers at December 31, 2015 is as follows:

SUPPLIERS BY REGION	2015 %	2014 %
ITALY	66.4%	67.3%
EU	6.0%	8.7%
Non EU	27.6%	24.0%
TOTAL	**100.0%**	**100.0%**

All other payables refer to the European Union.

PROJECT FINANCE LOANS

No financing restricted to a specific business are in place as of December 31, 2015.

Accrued expenses and deferred income

The item at December 31, 2015 totaled Euro 1,910 thousand (Euro 2,078 thousand at December 31, 2014) and includes deferred income of Euro 200 thousand (Euro 359 thousand at December 31, 2014) and the following accrued expenses:

CHANGES IN OTHER ASSET & LIABILITY ACCOUNTS (ART. 38, par. 1, lett. c) Legs. Decree 127/91)

Accruals	31/12/2015	31/12/2014	Change
Interest on Bond	1,891,056	1,935,778	(44,722)
Rental fees and expenses	17,033	35,782	(18,749)
Other	2,002	106,445	(104,443)
Total	**1,910,091**	**2,078,005**	**(167,914)**

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

Memorandum accounts

With reference to the memorandum accounts reported at the end of the consolidated balance sheet, this refers to sureties provided by credit institutions on behalf of the Parent Company and Twin Set East, against contractual obligations undertaken on the signing of rental contracts, totaling Euro 6,127 thousand (Euro 6,573 thousand at December 31, 2014).
In relation to the commitments deriving from USD forward purchase contracts in place at December 31, 2015 totaling Euro 44,328 thousand (Euro 22,441 thousand at December 31, 2014), reference should be made to the following table:

Bank	Contract type	Amount (USD)	Operation date	Date init. util.	Maturity date	Forward Rate	Ctr Euro	Fair Value
Unicredit	Flexi forward	3,000,000	20/03/2015	01/12/2015	31/03/2016	1.0847	2,765,742	(10,161)
Unicredit	Flexi forward	5,000,000	20/03/2015	04/01/2016	31/03/2016	1.0820	4,621,072	(28,603)
Carisbo	Flexi forward	3,000,000	23/03/2015	04/01/2016	21/03/2016	1.0910	2,749,771	5,610
Unicredit	Flexi forward	5,000,000	23/03/2015	01/04/2016	30/06/2016	1.0925	4,576,659	5,137
Carisbo	Flexi forward	5,000,000	24/08/2015	01/04/2016	31/07/2016	1.1645	4,293,688	288,215
BNL	Flexi forward	5,000,000	23/03/2015	01/06/2016	31/08/2016	1.1000	4,545,455	34,290
BNL	Flexi forward	5,000,000	24/03/2015	01/06/2016	31/08/2016	1.1060	4,520,796	58,961
BPER	Flexi forward	3,000,000	21/10/2015	01/07/2016	31/10/2016	1.1400	2,631,579	108,630
BPER	Flexi forward	4,000,000	21/10/2015	01/10/2016	31/12/2016	1.1426	3,500,788	148,306
BPER	Flexi forward	4,000,000	18/11/2015	01/10/2016	31/12/2016	1.0760	3,717,472	(71,536)
BPER	Flexi forward	2,000,000	18/11/2015	01/10/2016	31/12/2016	1.0755	1,859,600	(36,627)
BPER	Flexi forward	1,000,000	04/12/2015	01/12/2016	31/03/2017	1.1000	909,091	(2,338)
Unicredit	Flexi forward	4,000,000	04/12/2015	01/12/2016	31/03/2017	1.1000	3,636,363	(4,531)
Total		**49,000,000**					**44,328,076**	**495,353**

At December 31, 2015, the Company had an Interest Rate Swap (IRS) in place with Unicredit for a nominal value of Euro 100,000 thousand, with maturity on July 15, 2019.

The breakdown and fair value at December 31, 2015 is shown in the table below:

Counterparty	Amount	Operation date	Maturity date	Rate	Floater	Fair Value
Unicredit	100,000,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(2,002,818)
Total	**100,000,000**					**(2,002,818)**

Comments on the Income Statement accounts

Reference should be made to the Directors' Report for information on the Group performance for the year, while the breakdown of the income statement accounts is described below.

Revenue and income

in Euro	2015	2014 (1)	Changes
Revenues from sales and services	243,522,362	212,368,182	31,154,180
Change in work in progress, semi-finished & finished prods.	(559,094)	3,221,835	(3,780,929)
Internally produced fixed assets	329,426	1,064,542	(735,116)
Other revenues and income	2,250,775	1,663,795	586,980
Total revenue and income	**245,543,469**	**218,318,354**	**27,225,115**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

Revenues from sales and services refer to sales in the year through the various channels - Retail, Wholesale and Shop on Line. The item also includes sales to third parties of samples, yarns, textiles and other production materials not utilized for internal production.
These revenues refer for Euro 221,463 thousand to the Parent Company, for Euro 409 thousand to the subsidiary Twin Set Shoes, for Euro 1,266 thousand to the subsidiary Tessitura Sidoti, for Euro 3,736 thousand to the subsidiary TS Belgium, for Euro 5,989 thousand to the subsidiary TS Spain, for Euro 5,325 thousand to the subsidiary TS East, for Euro 3,711 thousand to the subsidiary TS Deutschland and for Euro 1,623 thousand to the subsidiary TS France.
Revenues are shown net of returns, discounts and allowances.

The cost for Internally produced fixed assets, totaling Euro 329 thousand, principally refers for Euro 227 thousand to the capitalization of employee costs for the development of the new Oracle JD Edwards operating system, Euro 49 thousand for the development of the shopping on line projects, Euro 22 thousand for the acquisition and implementation of the "PLM" software for the management of the product technical information and Euro 22 thousand for the costs incurred for the design of the new offices. These increases were classified to the balance sheet under "Patents and intellectual property rights" for Euro 282 thousand and to "Fixed assets in progress and advances" for Euro 47 thousand.

BREAKDOWN OF REVENUES BY REGION

SALES BY REGION		
	2015	2014
	%	%
REVENUES ITALY	63.5%	68.7%
REVENUES EU	27.8%	21.5%
REVENUES NON EU	8.7%	9.8%
Total	**100.0%**	**100.0%**

Other revenues and income include the following amounts:

in Euro	2015	2014	Changes
Rental income	52,070	58,416	(6,346)
Reimbursements	124,298	153,050	(28,752)
Ordinary gains	14,561	20,313	(5,752)
Prior year income	1,632,182	651,774	980,408
Operating grants	13,745	-	13,745
Other revenues	413,919	780,242	(366,323)
Total other revenues	**2,250,775**	**1,663,795**	**586,980**

Other revenues for Euro 414 thousand (Euro 780 thousand in 2014) are related to the Parent Company for Euro 410 thousand and principally include: revenues deriving from the reimbursement of tax-free financial brokerage for Euro 133 thousand,, revenues from the sale of consumable materials to a supplier of the parent company for Euro 108 thousand and revenues from services provided to the related company Liviana Conti for Euro 100 thousand.

Ordinary prior year income includes Euro 900 thousand related to the selling of overdue trade receivables by the Parent Company according to agreements signed by the former shareholders on the merger by incorporation in 2012. The total amount was offset by a similar amount included in the “Other operating charges” item.

Reimbursements principally refer to revenue deriving from the recovery of transport expenses and other services recharged to clients, respectively of Euro 20 thousand and Euro 90 thousand.

Rental income refers to the recharge of a portion of the premises rental to Liviana Conti S.r.l. for Euro 52 thousand (Euro 58 thousand in 2014).

Costs of Production

in Euro	2015	2014 (1)	Changes
Raw materials, ancillary, consumables and goods	86,193,458	84,381,548	1,811,910
Services	67,141,697	65,750,821	1,390,876
Rent, lease & similar costs	17,755,697	13,269,749	4,485,948
Personnel costs	30,227,596	24,387,676	5,839,920
Amortisation, depreciation and write-downs	28,336,503	28,122,025	214,478
Change in raw materials, ancillary, consumables and goods	1,107,980	(2,698,587)	3,806,567
Provisions for risks	1,352,941	517,089	835,852
Other operating charges	2,498,814	1,959,747	539,067
Total costs of production	**234,614,686**	**215,690,068**	**18,924,618**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of December 31, 2015

Raw material, ancillary, consumables and goods represent production costs and refer to all the purchase costs of raw materials and finished products, including transaction costs such as transport and customs, where applicable and net of relative discounts, returns and premiums.
The breakdown and changes in service costs in the year were as follows:

in Euro	2015	2014	Changes
Agents	15,509,080	12,550,208	2,958,872
Marketing and advertising	10,307,087	11,769,991	(1,462,904)
Outsourcing	12,950,187	15,240,753	(2,290,566)
Logistics and transportation	12,073,803	11,708,893	364,910
Administrative	5,441,897	4,401,068	1,040,829
Travel	1,237,604	1,566,579	(328,975)
Insurance	1,343,811	1,293,699	50,112
Other services	8,278,228	7,219,630	1,058,598
Total service costs	**67,141,697**	**65,750,821**	**1,390,876**

The increase compared to 2014 is principally attributable to the increase in business activities. The amount totaled Euro 67,142 thousand (Euro 65,751 thousand in 2014). "Agents commissions" increased more proportionally than wholesale channel revenues (+23.6% compared to +4.5%). This increase, of Euro 2,958 thousand, almost exclusively concerns the Parent Company and is due to higher commissions on new product lines and the increased number of agents operating on international markets.

"Marketing and advertising" expenses decreased from Euro 11,770 thousand in 2014 to Euro 10,307 thousand in 2015, with a reduction of 12.4% due to the cost cutting policy. The sub-item principally includes costs for the purchase of advertising pages, billboards, catalogues and pockets, photography shoots, public relations, franchising and events contributions and other advertising expenses.

The reduction in "External works" of Euro 2,291 thousand is principally due to the increased use of the increased use of purchase of finished goods instead of semifinished ones. The sub-item includes costs for ironing, textile cutting, embroidery, material application, packing and re-conditioning of clothing carried out by outsourced workers.

"Administrative" expenses increased Euro 1,040 thousand (+23.6%), principally due to the setting up of central administrative functions to support growth and the expansion of international retail sales. The sub-item mainly includes costs for legal and notary, tax and administrative consultancy and the remuneration of directors, statutory auditors and the audit firm. For a breakdown of these latter items, reference should be made to the section "Remuneration of Directors, Statutory Auditors and the Independent Audit Firm" below.

"Other service costs" of Euro 8,278 thousand principally comprise utilities (Euro 2,000 thousand), banking expenses (Euro 1,380 thousand), condominium expenses for stores and showrooms and cleaning expenses (totaling Euro 1,133 thousand), maintenance costs (Euro 802 thousand), quality control costs (Euro 717 thousand), employee canteen expenses (Euro 430 thousand), stationary and printing costs (Euro 210 thousand) and hiring costs (Euro 184 thousand).

The breakdown of the rent, lease and similar costs are as follows:

in Euro	2015	2014	Changes
Rent expenses for shop, outlet and showroom	16,096,664	11,873,132	4,223,532
Rent expenses for headquarters	1,049,772	918,600	131,172
Other rent expenses	609,261	478,017	131,244
Total rent, lease and similar costs	**17,755,697**	**13,269,749**	**4,485,948**

The significant increase in the "Rent expenses for shop, outlet and showroom" sub-item of Euro 4,224 thousand relates to the 10 new openings of stores and outlets in 2015 and the full year charge of store rental contracts signed in 2014.

"Rent expenses for headquarters" amounts to Euro 1,050 thousand and relates to administrative offices and production site rental of the Parent Company (Euro 538 thousand) and of the subsidiaries Tessitura Sidoti (Euro 188 thousand), Twin Set Shoes (Euro 120 thousand), Twin Set East (Euro 200 thousand) and Twin Set Deutschland (Euro 3 thousand). The increase on the previous year is due to the full inclusion of the rental contracts signed in the second half of 2014 for the operating offices of TS East (which in 2015 had an effect of +Euro 99 thousand) and of Twin Set Shoes (which in 2015 impacted for +Euro 30 thousand).

The "Other rent expenses" sub-item of Euro 609 thousand includes rental costs, principally cars, whose increase on 2014 relates to the higher number of cars in the company fleet and the rental of apartments granted as "fringe benefits" to some employees.

The breakdown and changes in Personnel costs in the year were as follows:

in Euro	2015	2014	Changes
Salaries and wages	22,771,378	18,183,255	4,588,123
Social security contributions	6,182,090	5,077,784	1,104,306
Employee severance indemnities	1,274,128	1,125,384	148,744
Other personnel costs	-	1,253	(1,253)
Total personnel costs	**30,227,596**	**24,387,676**	**5,839,920**

The increase in this item is principally related to the increase in Group personnel numbers, both for the Retail channel and headquarters.

The following table breaks down Amortization, depreciation and write-downs:

in Euro	2015	2014	Changes
Amortisation of intangible fixed assets	20,453,490	22,890,107	(2,436,617)
Depreciation of tangible fixed assets	2,658,579	2,254,796	403,783
Other fixed asset write-downs	2,188,075	-	2,188,075
Write-down of current and liquid assets	3,036,359	2,977,122	59,237
Total amortisation, depreciation and write-downs	**28,336,503**	**28,122,025**	**214,478**

Amortization and depreciation of Euro 23,112 thousand reduced Euro 2,033 thousand. The decrease is due to the fact that in the previous year the net residual book value of financial charges capitalized on the old Term Loan undertaken in 2012 and fully repaid following the bond issue for a value of Euro 5,118 thousand was amortized in one year. Excluding this effect, the increase was Euro 3,085 thousand and is due to the increase in amortization of Euro 2,681 thousand, amounting to Euro 20,454 thousand and of depreciation of Euro 404 thousand, which totaled Euro 2,659 thousand. The increases principally concern depreciation for the full year on investments made at the 13 stores opened in the second half of 2014, amortization of the transaction costs on the Bonds (Euro 685 thousand more in 2015 than in 2014) and the amortization of costs incurred in 2013 and 2014 by the Parent Company for the new Oracle JD Edwards operating system, whose amortization commenced on January 1, 2015 (amortization of Euro 460 thousand on investments in 2013 and 2014 of Euro 2,302 thousand). The increase is also due to the goodwill and the Key Money paid for the new stores, in addition to the amortization of restructuring charges incurred on these sales points.
During the year indicators emerged of potential losses in value on the assets of certain German stores and therefore the recoverable value was subject to an impairment test in accordance with OIC 9, recognizing write-downs as per Article 2427 of the Civil Code No. 3-bis of Euro 2,188 thousand. Please refer to further information included in the balance sheet comments.

Provisions for risks of Euro 1,353 thousand (Euro 517 thousand in 2014) included the provision for risks and for returns, respectively of Euro 253 thousand and Euro 1,100 thousand. Reference should be made to comments previously stated in the corresponding asset items.

Other operating charges of Euro 2,499 thousand principally concern the Parent Company (Euro 2,266 thousand). They principally include prior year charges of Euro 1,796 thousand (Euro 383 thousand in 2014), income and other taxes for Euro 314 thousand (Euro 248 thousand in 2014), VAT on gifts for Euro 149 thousand (Euro 186 thousand in 2014), losses on receivables for Euro 80 thousand (Euro 50 thousand in 2014) and gains on asset sales and disposals for Euro 23 thousand (Euro 62 thousand in 2014).

Financial income and charges

in Euro	2015	2014	Changes
Other financial income	27,277	37,240	(9,963)
Interest and other financial charges	(15,134,582)	(13,088,428)	(2,046,154)
Exchange gains and losses	(1,063,025)	(2,001,973)	938,948
Total financial income and charges	**(16,170,330)**	**(15,053,161)**	**(1,117,169)**

Other Financial income refers to interest matured on current accounts.

Interest and other financial charges principally concerns interest paid on the Bond Loan for Euro 9,749 thousand and interest matured on the Shareholder loan for Euro 4,981 thousand.

The breakdown of interest charges in the year is shown in the table below:

INTEREST & OTHER FINANCIAL CHARGES (ART. 38, para. 1, lett. l) Legs. Decree 127/91)

in Euro	2015	2014	Changes
Shareholders loan interest	**4,981,426**	**5,102,572**	**(121,146)**
Bank interest	**404,267**	**3,709,503**	**(3,305,236)**
Loan interest	*39,995*	*3,168,170*	*(3,128,175)*
Overdraft and short-term loan interest	*58,029*	*59,204*	*(1,175)*
Bank charges	*306,243*	*482,129*	*(175,886)*
Interest on Bonds	**9,748,889**	**4,276,353**	**5,472,536**
Total	**15,134,582**	**13,088,428**	**2,046,154**

The account Shareholder loan interest was in line with the previous year.

Interest on Bonds increased as calculated for the entire year, while in 2014 only calculated on a pro-rata basis from the issue date of July 2014. Loan interest and Bank interest reduced following the repayment of the Term Loan and the Capex Line with income from the Bond issue.
Overall, interest charges increased following the increase in the debt position.

The exchange gains and losses in the year refer to:

in Euro	2015			2014		
	Total	Gains	Losses	Total	Gains	Losses
Exchange gains/losses realised	(387,557)	3,372,490	(3,760,047)	(2,576,899)	36,653	(2,613,552)
Exchange gains/losses not realised	(675,468)	108,135	(783,603)	574,926	829,635	(254,709)
Total	**(1,063,025)**	**3,480,625**	**(4,543,650)**	**(2,001,973)**	**866,288**	**(2,868,261)**

Exchange gains/losses concern the conversion of purchasing invoices in foreign currencies, principally US Dollars, for raw materials and finished products from suppliers, principally in China and in India and the conversion of trade and financial receivables in Rubles by the Russian Subsidiary.
The forward contracts in place at December 31, 2015, as described in the memorandum accounts, report a negative fair value of Euro 1,500 thousand, not recorded as these contracts are hedged.

Adjustment to financial assets

There were no adjustments to financial assets in the financial statements for the year ended December 31, 2015.

Extraordinary income and charges

“Extraordinary income and charges” in 2015 amount to Euro 246 thousand (Euro 503 thousand in 2014), as follows:

in Euro	2015	2014	Changes
Extraordinary income	37,565	191,140	(153,575)
Extraordinary charges	(283,948)	(694,333)	410,385
Total extraordinary income & charges	**(246,383)**	**(503,193)**	**256,810**

Extraordinary income in 2014 principally included the insurance compensation for damage recognized to the Parent Company totaling Euro 127 thousand, following the earthquake which hit Emilia Romagna in May 2012.

Extraordinary charges of Euro 284 thousand (Euro 694 thousand in 2014) comprised:

in Euro	2015	2014	Changes
Taxes relating to prior years	(36,413)	(10,010)	(26,403)
Others extraordinary charges	(247,535)	(684,323)	436,788
Total extraordinary charges	**(283,948)**	**(694,333)**	**410,385**

Other extraordinary charges amount to Euro 283 thousand and exclusively concern the Parent Company. These include principally extraordinary prior year charges concerning non-recoverable VAT of the tax representatives opened in recent years for the Online Shop sales (as described in the "Tax payables" section) for Euro 240 thousand and theft of cash within the stores for Euro 5 thousand (Euro 28 thousand in 2014).
In the previous year, the item included also deductible extraordinary prior year charges for Euro 380 thousand, of which Euro 292 thousand relating to the restructuring of the sales network and for destruction and removal costs which the company incurred for the restructuring and restyling of the stores for Euro 88 thousand.

Current and deferred income taxes

Current and deferred income taxes are broken down as follows:

in Euro	2015	2014	Changes
Current taxes	(7,856,792)	(6,163,825)	(1,692,967)
Deferred taxes	769,619	449,823	319,796
Prepaid taxes	2,168,395	4,834,998	(2,666,603)
Total income tax	**(4,918,778)**	**(879,004)**	**(4,039,774)**

Current taxes comprise:

in Euro	2015	2014	Changes
IRES	5,789,513	4,297,099	1,492,414
IRAP	2,017,330	1,866,726	150,604
Income from tax consolidation	(20,125)	-	(20,125)
Substitute tax Know How release	70,074	-	70,074
Total current income taxes	**7,856,792**	**6,163,825**	**1,692,967**

In relation to temporary differences that resulted in the recording of deferred tax assets and liabilities, reference should be made to the following tables:

Deferred tax assets													
Description of temporary differences	31/12/2014			Decreases 2015				Increases 2015			31/12/2015		
	Assessable	%	Tax (a)	Assessable	%	Tax (b)	IRES rate adjustment (c)	Assessable	%	Tax (d)	Assessable	%	Tax (a-b-c+d)
Amort. goodwill	20,578	31.4	6,462	-	31.4	-	25,517	708,472.00	31.4	222,461.00	729,050	27.9	203,406
Amort. trademark Twin-Set not deduct. L. 266/05	111,112	31.4	34,889	-	31.4	-	3,889	-	31.4	-	111,112	27.9	31,000
Exchange losses	310,575	27.5	85,410	310,568	27.5	85,407	-	29,701	27.5	8,168	29,709	27.5	8,171
Doubtful debt provision	4,492,419	27.5	1,235,417	2,120,312	27.5	583,086	143,999	2,770,712	27.5	761,946	5,142,819	24.7	1,270,278
Obsolescence provision	11,295,516	31.4	3,546,794	1,152,933	31.4	362,021	427,754	6,505,661	31.4	2,042,778	16,648,244	28.8	4,799,797
Consolidation adjustments	6,036,173	31.4	1,912,290	2,054,274	31.4	645,042	-	630,228	31.4	197,892	4,612,127	31.8	1,465,140
Agents indemnities	1,217,781	31.4	344,936	44,882	31.4	14,093	78,474	832,190	31.4	261,307	2,005,089	25.6	513,676
Associations fees not paid	8,501	31.4	2,670	8,501	31.4	2,670	-	4,080.00	31.4	1,281.00	4,080.35	27.9	1,281
Risks provision	461,357	27.5	126,874	80,000	27.5	22,000	21,874	243,600	27.5	66,990	624,957	24.0	149,990
Returns provision	1,596,659	31.4	501,351	1,596,659	31.4	501,351	-	3,127,311	31.4	981,975	3,127,311	31.4	981,975
Directors fees not paid	-	27.5	-	-	27.5	-	-	334,500	27.5	93,626	334,500	28.0	93,626
Total	**25,550,671**		**7,797,093**	**7,368,129**		**2,215,670**	**701,507**	**15,186,455**		**4,638,424**	**33,368,997**		**9,518,339**

Deferred tax liabilities													
Description of temporary differences	31/12/2014			Decreases 2015				Increases 2015			31/12/2015		
	Assessable	%	Tax (a-b+c)	Assessable	%	Tax (b)	IRES rate adjustment (c)	Assessable	%	Tax (c)	Assessable	%	Tax (a-b-c+d)
Exchange gains not realized	91,823	27.5	31,810	91,823	27.5	25,226	-	17,623	27.5	4,845	17,623	64.9	11,429
Amort. trademark Twin-Set allocation of merger deficit	24,638,516	31.4	7,736,494	1,369,015	31.4	429,871	766,517	-	31.4	-	23,269,502	28.1	6,540,106
Total	**24,730,339**		**7,768,304**	**1,460,838**		**455,097**	**766,517**	**17,623**		**4,845**	**23,287,124**		**6,551,536**

As previously described, deferred tax assets and liabilities for the Group's Italian companies were valued taking into consideration the IRES tax change, which from January 1, 2017 will be 24% instead of the current 27.5%. This change had a net negative effect on the current year income statement of Euro 65 thousand.

Other information to be provided in the Explanatory Notes

Remuneration of Directors, Statutory Auditors and the Independent Audit Firm

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

in Euro	2015	2014	Changes
Board of Directors	2,000,218	1,167,500	832,718
Board of Statutory Auditors	67,600	52,000	15,600
Independent Audit Firm	161,422	212,442	(51,020)
Total	**2,229,240**	**1,431,942**	**797,298**

Transactions with Related Parties

The Parent Company and the subsidiary Tessitura Sidoti undertake their activities through the utilization of factories and warehouses under rental contracts, owned property or finance leases of MO.DA Gioielli S.r.l., a shareholder until June 30, 2015.

MO.DA Gioielli also holds controlling shareholdings in the company Liviana Conti and K8, operating in the women's clothing and accessory sector, marketed respectively under the brands "Liviana Conti" and "Erika Cavallini - Semi-Couture"

The Directors' Report provides information on transactions with related parties indicating the credit and debit balances, sales, purchases, other revenues and costs and guarantees.

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

Off-balance sheet agreements

The disclosures on agreements not reported in the balance sheet pursuant to Article 38, letter o-*sexies* of Legislative Decree 127/1991 – nature and economic objectives of these agreements and indication of their equity, financial and economic effect, where the risks and benefits deriving from them are considered significant and the reporting of such considered necessary to evaluate the balance sheet and financial position and the Group result, are not applicable as these agreements did not exist during the year or at the end of the year.

Derivative financial instruments

As previously described, the Parent Company undertook forward operations in US Dollars, whose effects were already commented upon relating to financial management and, in relation to the commitments in place at December 31, 2015, in the comments on the memorandum account.

In addition, as indicated in the memorandum accounts, in partial coverage of the interest rate on the Bond Loan an Interest Rate Swap was undertaken with Unicredit for a nominal value of Euro 100,000 thousand, with maturity on July 15, 2019.

Attachment A – Consolidated Cash Flow Statement

Consolidated Cash Flow Statement	31/12/2015	31/12/2014
A Cash and cash equivalents at the beginning of the year (A)	**31,308,355**	**14,290,478**
B Cash flow from operating activities (B)		
Profit/(loss) for the year	**(10,406,708)**	**(13,807,073)**
Income taxes	4,918,778	879,004
Financial interest/(income)	15,107,304	13,051,188
Gains/losses of disposal	20,372	41,278
1 Profit/(loss) before income taxes, interest, dividends and disposal gains/(losses)	**9,639,746**	**164,397**
Provisions	5,352,810	1,345,086
Amortization and Depreciation	23,112,069	25,144,903
Impairment	2,188,075	-
2 Cash flow before changes in net working capital	**30,652,954**	**26,489,989**
Changes in net working capital		
Change in inventories	1,808,042	(5,649,428)
Change in trade receivables	3,415,303	431,134
Change in trade Payables	(13,000,768)	4,694,995
Change in other payables/receivables	2,794,809	(1,331,896)
3 Change in net working capital	**(4,982,614)**	**(1,855,195)**
Other adjustments		
Income taxes paid	(6,952,255)	(3,896,153)
Utilisation of provisions	(2,228,292)	(994,661)
4 Cash flow after other adjustments	**(9,180,547)**	**(4,890,814)**
Cash flow from operating activities (B)	**26,129,539**	**19,908,377**
C Cash flow from investing activities		
Investment in intangible assets	(4,791,007)	(25,336,204)
Investments in property, plant and equipment	(2,625,971)	(6,745,832)
Disposal of assets	48,864	151,506
Consideration paid for business combination	-	(1,170,000)
Cash flow from investing activities (C)	**(7,368,114)**	**(33,100,530)**
D Cash flow from financing activities		
Repayment of loans	(1,446,643)	(79,125,705)
Repayment of shareholder loan	-	(10,642,411)
New borrowing from banks	-	155,500,000
Net financial interest received/(paid)	(9,723,094)	(7,436,528)
Bank overdraft	(159,311)	(285,326)
Other changes in net equity	298,353	-
Dividend paid	-	(27,800,000)
Cash flow from financing activities (D)	**(11,030,695)**	**30,210,030**
E Cash flow for the year (B+C+D)	**7,730,730**	**17,017,877**
F Cash and cash equivalents at the end of the year (A+E)	**39,039,085**	**31,308,355**