TWIN SET – SIMONA BARBIERI S.p.A.

Quarter report as of and for the three months ended March 31, 2016

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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 three months ended March 31, 2016. This discussion should be read together with the Twin Set – Simona Barbieri Group Consolidated Financial Statements as of and for the three months ended March 31, 2016 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 different 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. TWIN - SET Jeans is the young line of Twin Set, it has a casual-chic feel and it downplays the brand's romantic imprint by making a more feisty immediate contribution. 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 4-16 and Twin Set Baby aimed at children aged 2-6. Starting from SS15 we have launched the Newborn collection, a complete selection for newborn girls from 3 to 24 months. The remaining product lines are complementary to our main apparel lines and provide our customers with the Twin Set "total look": Bags/Accessories, Shoes, Le Coeur 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.

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.

- **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.

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

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

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

Many factors influence like-for-like sales, including fashion trends, competition, economic conditions, pricing, the timing of the release of new merchandise and promotional events, changes in our product mix, and weather conditions. Our ability to translate our fashion concepts into viable commercial production throughout the year, footfall at our point of sale locations, 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,					For the three months ended March 31,
(% increase over prior period)	2011	2012 [(1)]	2013	2014	2015	2016
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	2.4%	7.1%	1.8%

(1) The results of operations of Light Force for the three months ended March 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, and also by 1.8% for the three months ended March 31, 2016 compared to the same period of 2015. 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 76.2% and 78.0% of Twin Set Revenue for the three months ended March 31, 2016 and 2015, respectively. This is influenced by the seasonality of our business where wholesale channel observes higher sales in the first and third quarter. 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	Three months ended March 31, 2016	Three months ended March 31, 2015 [(1)]	Change	% Change
Reported EBITDA	**20,833**	**20,231**	**602**	**3.0%**
Non-recurring provisions	150	217	(67)	(30.9%)
Other items	143	122	21	17.2%
Adjusted EBITDA	**21,126**	**20,570**	**556**	**2.7%**
Adjusted EBITDA Margin	*24.4%*	*24.6%*		

[(1)] The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

As shown in the table above, our Adjusted EBITDA reached Euro 21.1 million, 24.4% of Twin Set Revenue. The Adjusted EBITDA increased by 2.7% compared to March 31, 2015.

Adjusted EBITDA totaled Euro 21.1 million, with an increase of Euro 0.6 million (+2.7%). In the first three months ended March 31, 2016 the Adjusted EBITDA margin is 24.4% of Twin Set revenue. The EBITDA margin improved on the previous period mainly thanks to the higher volume of revenues and to the effect of cost control efforts put in place starting from 2015.

The “Non-recurring provisions” principally include provisions for risks and disputes.

“Other items” mainly includes bank commissions for Euro 0.1 million.

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 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 2015 and 2016 relates primarily to our sales of raw materials and samples to third parties, not used for internal production.

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

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

Cost of services

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

Rent

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

Personnel costs

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

Depreciation and amortization

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

Write-downs of trade receivables

Write-downs of trade receivables 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

Three months ended March 31, 2016 of Twin Set compared to the three months ended March 31, 2015 of Twin Set

The following table sets forth the financial information of Twin Set for the three months ended March 31, 2016 compared to the financial information of Twin Set for the three months ended March 31, 2015.

€/000 Consolidated Income Statement	Three months ended March 31, 2016	% of revenue	Three months ended March 31, 2015 (1)	% of revenue	Change	% Change
Revenue	88,058	*100.0%*	85,461	*100.0%*	2,597	*3.0%*
Other income and internally generated assets	424	*0.5%*	1,182	*1.4%*	(758)	*(64.1%)*
Change in work in progress, semifinished and finished product inventories	(27,498)	*(31.2%)*	(15,947)	*(18.7%)*	(11,551)	*72.4%*
Purchase of raw materials, goods and changes in inventory	(9,092)	*(10.3%)*	(14,419)	*(16.9%)*	5,327	*(36.9%)*
Cost of services	(16,248)	*(18.5%)*	(21,308)	*(24.9%)*	5,060	*(23.7%)*
Rent	(4,643)	*(5.3%)*	(4,157)	*(4.9%)*	(486)	*11.7%*
Personnel costs	(7,977)	*(9.1%)*	(7,196)	*(8.4%)*	(781)	*10.9%*
Write-downs of trade receivables	(1,132)	*(1.3%)*	(1,280)	*(1.5%)*	148	*(11.6%)*
Provisions	(551)	*(0.6%)*	(959)	*(1.1%)*	408	*(42.5%)*
Other operating costs	(508)	*(0.6%)*	(1,146)	*(1.3%)*	638	*(55.7%)*
Reported EBITDA	**20,833**	***23.7%***	**20,231**	***23.7%***	**602**	***3.0%***
Depreciation and Amortization	(5,524)	*(6.3%)*	(5,489)	*(6.4%)*	(35)	*0.6%*
Operating profit	**15,309**	***17.4%***	**14,742**	***17.2%***	**567**	***3.8%***
Financial income/(expenses)	(3,801)	*(4.3%)*	(3,289)	*(3.8%)*	(512)	*15.6%*
Profit/(loss) before tax	**11,508**	***13.1%***	**11,453**	***13.4%***	**55**	***0.5%***
Income tax	(4,955)	*(5.6%)*	(5,146)	*(6.0%)*	191	*(3.7%)*
Profit/(loss) for the period	**6,553**	***7.4%***	**6,307**	***7.4%***	**246**	***3.9%***

[2] The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

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

Reconciliation Twin Set Revenue vs Revenue (€/000)	Three months ended March 31, 2016	Three months ended March 31, 2015
Revenue	**88,058**	**85,461**
Other revenues (*)	(596)	(490)
Returns estimate (**)	(729)	(1,349)
Twin Set Revenue	**86,733**	**83,622**

(*) 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 3.1 million, or 3.7%, to Euro 86.7 million for the three months ended March 31, 2016 from Euro 83.6 million for the three months ended March 31, 2015.

The increase is due both to the moderate growth of the Wholesale channel (+1.4%) and the sustained growth of the Retail channel (+12.0%), 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 three months ended March 31, 2015 and 2016.

Breakdown of revenue by distribution channel	Three months ended March 31,	% of Twin Set Revenue	Three months ended March 31,	% of Twin Set Revenue	Change	% Change
(€/000)	2016		2015 [1]			
Wholesale	66,126	76.2%	65,223	78.0%	903	1.4%
Retail (including on line)	20,607	23.8%	18,399	22.0%	2,208	12.0%
Twin Set Revenue	**86,733**	**100%**	**83,622**	**100%**	**3,111**	**3.7%**

(1) The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

Wholesale
The Wholesale channel continued, as in previous years, to perform well, with growth of 1.4% on the previous period. The overall performance is related mainly to the increase of sales on the traditional Wholesale channel and on the Franchising channel (sales of the period of Euro 2.5 million compared to Euro 1.3 million in the same period of 2015) partially offset by a slight decrease of sales on the traditional wholesale channel due to timing difference in deliveries in comparison with the same period of previous year.

Retail (including online)
Retail channel sales increased Euro 2.2 million. This increase is principally due to new openings, 8 net of the closure of one store and one outlet in the period under review. In addition we have also good like for like performance (of Boutiques and Outlets), which reported an overall improvement of 1.8%.
The online shop channel reported revenues of Euro 2.1 million for the three months ended March 31, 2016, increasing Euro 0.5 million, up 29.7% on the same period of 2015. 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.

Finally, the Retail sales channel percentage of Twin Set revenue increased 1.8 p.p. from 22.0% in the three months ended March 31, 2015 to 23.8% in the same period of 2016.

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

Retail points of sales	As of March 31, 2016		As of March 31, 2015	
	Boutique	Outlet	DOS	Outlet
Italy	31 [1]	14 [1]	29	12
Outside of Italy	21	3	18	2
Total retail point of sale	**52**	**17**	**47**	**14**
	69		**61**	

(1) Numbers are net of the store closings that occurred in the period (one store and one outlet between March 31, 2015 and March 31, 2016).

During the period under review, our retail points of sale network expanded from 61 retail points of sale as of March 31, 2015 (47 Boutiques and 14 Outlets) to 69 retail points of sale as of March 31, 2016 (52 Boutiques and 17 Outlets).

In the first quarter of 2016, in line with the Group's strategic plan, we opened new retail point of sales in Italy (Taormina), in France (Galeries LaFayette) and in Belgium (Gent).

Retail points of sales openings	For the three months ended March, 31 2016		For the three months ended March, 31 2015	
	Boutique	Outlet	DOS	Outlet
Italy	0 [1]	-	2	1
Outside of Italy	2	-	1	-
Total retail point of sale	**2**	**-**	**3**	**1**
	2		**4**	

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

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

Breakdown of retail revenue by sub-channel (€/000)	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Boutique	13,627	12,847	780	6.1%
Outlet	4,916	3,960	956	24.1%
Online	2,064	1,591	473	29.7%
Retail Revenue	**20,607**	**18,398**	**2,209**	**12.0%**

Boutique sales rose Euro 0.8 million (+6.1%), with Outlet sales improving Euro 1.0 million (+24.1%). The Online Shop channel saw increased revenues of 29.7% to Euro 2.1 million, thanks to the previously described marketing initiatives.

The following table sets forth the breakdown of Twin Set Revenue by geography for the periods ended March 31, 2015 and March 31, 2016:

Breakdown of revenue by geography (€/000)	For the three months ended March 31, 2016	For the three months ended March 31, 2015 (1)	Change	% Change
Italy	53,599	55,453	(1,854)	(3.3%)
Benelux	5,610	5,828	(218)	(3.7%)
Spain	7,369	5,857	1,512	25.8%
France	4,186	3,231	955	29.6%
Greater Russia	4,101	3,600	501	13.9%
Germany	3,954	2,935	1,019	34.7%
Other countries	7,914	6,718	1,196	17.8%
Twin Set Revenue	**86,733**	**83,622**	**3,111**	**3.7%**

(1) The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

Italy.
Italian sales decreased by Euro 1.9 million, or 3.3%, to Euro 53.6 million for the three months ended March 31, 2016, from Euro 55.5 million for the three months ended March 31, 2015. The revenue contribution of the traditional Wholesale channel was substantially stable. The decrease in Italian sales is due to both advanced deliveries (4Q 2015) in comparison with the previous year and to a slight persistent low consumption attitude.

International.
Compared to 2015, revenue generated outside of Italy increased by 17.6%.
This result is principally due to the international expansion (1 Boutique in Belgium, 1 Boutique in Spain, 1 Boutique in France and 1 Boutique in Russia, all opened between April 2015 and March 2016) contributing to growth together with increasing penetration of our new lines in the wholesale channel and with the improvement of Franchising and online sales.

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

Breakdown of revenue by product line (€/000)	For the three months ended March 31, 2016	For the three months ended March 31, 2015 (1)	Change	% Change
TS Main	40,138	37,381	2,757	7.4%
Beachwear/Lingerie	10,998	11,043	(45)	(0.4%)
Girl, Baby e Newborn	7,876	8,494	(618)	(7.3%)
Jeans	8,452	7,709	743	9.6%
Accessories/Bags	5,047	5,930	(883)	(14.9%)
Shoes	4,227	4,154	73	1.8%
Le Coeur	5,162	3,793	1,369	36.1%
Scee	4,348	4,668	(320)	(6.9%)
Other	485	450	35	7.8%
Twin Set Revenue	**86,733**	**83,622**	**3,111**	**3.7%**

(1) The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

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 6.2 million, or 20.5%, to Euro 36.6 million for the three months ended March 31, 2016 from Euro 30.4 million for the three months ended March 31, 2015. As a percentage of Twin Set revenue, this line item increased by 5.9 p.p., to 42.2% in 2016, from 36.3% in 2015. The percentage increase is due to a mix of factors: a different channel mix with a higher proportion of stock sales in comparison with the same period of previous year; a higher incidence of sale discounts in retail sales; greater use of marketed products in comparison with previous year and eventually to a conservative depriciation of inventories.

€/000	Three months ended March 31,	Three months ended March 31,	Change	% Change
	2016	2015		
Raw materials, supplementary materials, consumables and goods	10,103	16,514	(6,411)	(38.8%)
Change in inventories of raw materials, supplementary materials, consumables and goods	(1,011)	(2,095)	1,084	(51.7%)
Purchase of raw materials, goods and changes in inventory	**9,092**	**14,419**	**(5,327)**	**(36.9%)**
Change in work in progress, semi-finished and finished product inventories	27,498	15,947	11,551	72.4%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**36,590**	**30,366**	**6,224**	**20.5%**
% of Twin Set Revenue	*42.2%*	*36.3%*		

Cost of services. Cost of services decreased by Euro 5.1 million, or 23.7%, to Euro 16.2 million for the period ended March 31, 2016, from Euro 21.3 million in the same period of 2015. As a percentage of Twin Set revenue, cost of services decreased by 6.8 p.p., to 18.7% for the three months ended March 31, 2016 from 25.5% for the three months ended March 31, 2015.

The table below sets forth the breakdown of costs of services for the three months ended March 31, 2015 and 2016:

€/000	Three months ended March 31,	Three months ended March 31,	Change	% Change
	2016	2015		
Agent commissions	5,548	6,660	(1,112)	(16.7%)
Marketing and advertising	2,565	3,604	(1,039)	(28.8%)
External works	1,851	4,449	(2,598)	(58.4%)
Logistics and transport	2,311	2,839	(528)	(18.6%)
Administrative	1,299	1,331	(32)	(2.4%)
Travelling expenses	343	321	22	6.9%
Insurance	373	387	(14)	(3.6%)
Other service costs	1,958	1,717	241	14.0%
Total cost of services	**16,248**	**21,308**	**(5,060)**	**(23.7%)**
% of Twin Set Revenue	*18.7%*	*25.5%*		

"Agents commissions" decreased from Euro 6.7 million for the three months ended March 31, 2015 to Euro 5.5 million for the three months ended March 31, 2016 with a reduction of 16.7%. This is due to cost control initiative in renegotiation of agent fee.

"Marketing and advertising" expenses decreased from Euro 3.6 million for the three months ended March 31, 2015 to Euro 2.6 million for the three months ended March 31, 2016, with a reduction of 28.8% thanks to timing difference in our advertising campagne. The reduction of "External works" for Euro 2.6 million is principally due to the increased use of purchase of finished goods instead of semifinished ones. The decrease of "Logistic and Transport" expenses (from Euro 2.8 million at March 31, 2015 to Euro 2.3 million at March 31, 2016) is due to improvement efficiency in operation process like logistic and transport.

"Administrative" expenses are in line with the three months ended March 31, 2015.

"Other service costs" amounts Euro 2.0 million and principally comprises utilities (Euro 0.5 million), banking expenses (Euro 0.3 million), condominium expenses related to stores and showrooms and cleaning expenses (totaling Euro 0.3 million), maintenance costs (Euro 0.2 million).

Rent. Rent increased by Euro 0.5 million, or 11.7%, to Euro 4.6 million for the period ended March 31, 2016 from Euro 4.2 million for the same period of 2015.
The increase in "Rent expenses for shop, outlet and showrooms" relates both to the 8 new openings of stores and outlets in the past 12 months (net of two stores closing that incurred in the period under review, Valmontone Outlet and Milano Pontaccio).

The table below sets forth the breakdown of rent for the three months ended March 31, 2015 and 2016:

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Rent expenses for shop, outlet and showrooms	4,210	3,728	482	12.9%
Rent expenses for headquarters	271	296	(25)	(8.4%)
Other rent expenses	162	133	29	21.8%
Total rent	**4,643**	**4,157**	**486**	**11.7%**
% of Twin Set Revenue	*5.4%*	*5.0%*		

Personnel costs. Personnel costs increased by Euro 0.8 million, or 10.9%, to Euro 8.0 million in the three months of 2016 from Euro 7.2 million in the three months of 2015. As a percentage of Twin Set revenue, personnel costs increased by 0.6 p.p. to 9.2% for the three months ended March 31, 2016 from 8.6% for the three months ended March 31, 2015. 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 three months ended March 31, 2015 and 2016.

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Wages and salaries	6,020	5,373	647	12.0%
Social security contribution	1,623	1,529	94	6.1%
Employee severance indemnities	334	294	40	13.6%
Total personnel costs	**7,977**	**7,196**	**781**	**10.9%**
% of Twin Set Revenue	*9.2%*	*8.6%*		

The following table shows the breakdown of employees by category and location for the three months ended March 31, 2015 and 2016:

	As of March 31, 2016		As of March 31, 2015		Change	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	7	1	6	1	1	-
Managers	15	3	14	3	1	-
Clerical/administrative staff	251	9	227	8	24	1
Workers	60	2	59	-	1	2
Retail staff	324	178	289	148	35	30
Total employees number	**657**	**193**	**595**	**160**	**62**	**33**
Combined total employees (Italy and abroad)	**850**		**755**		**95**	

Amortization and depreciation. Amortization and depreciation increased by Euro 0.04 million to Euro 5.5 million for the three months ended March 31, 2016 from Euro 5.5 million for the three months ended March 31, 2015.

The table below sets forth the breakdown of depreciation and amortization for the three months ended March 31, 2015 and 2016.

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Amortization of intangible fixed assets	4,963	4,906	57	1.2%
Depreciation of tangible fixed assets	561	583	(22)	(3.8%)
Total amortisation and depreciation	**5,524**	**5,489**	**35**	**0.6%**
% of Twin Set Revenue	*6.4%*	*6.6%*		

Operating profit. Operating profit increased by Euro 0.6 million, to Euro 15.3 million for the three months eneded March 31, 2016 from Euro 14.7 million for the three months eneded March 31, 2015. As a percentage of Twin Set revenue, operating profit increased by 0.1 p.p. to 17.4% in 2016 from 17.3% in the same period of 2015 substantialy due to the combine effect of increasing in production cost and decreasing in operating expense as describe above.

Financial income/(expenses). Financial expenses increased by Euro 0.5 million to Euro 3.8 million for the first quarter of 2016 from Euro 3.3 million for the same period of 2015.
<u>Other Financial income</u> refers to interest matured on current accounts.

<u>Interest and other financial expenses</u> principally concerns interest paid on the Bond Loan for Euro 2.4 million and interest matured on the Shareholder loan for Euro 1.3 million.

The table below sets forth the breakdown of financial expenses for the three months ended March 31, 2015 and 2016.

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Other financial income	6	4	2	50.0%
Interest and other financial expenses	(3,785)	(3,657)	(128)	3.5%
Foreign exchange gains/(losses)	(22)	364	(386)	>(100%)
Total financial income/(expenses)	**(3,801)**	**(3,289)**	**(512)**	**15.6%**
% of Twin Set Revenue	*(4.4%)*	*(3.9%)*		

Income tax. Income tax decreased by Euro 0.2 million to Euro 5.0 million for the period 2016 from Euro 5.1 million for the period 2015.

Result for the period. The profit for the period is Euro 6.6 million for the three months ended March 31, 2016 compared to a profit of Euro 6.3 million for the three months ended March 31, 2015 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 March 31, 2016, our net financial indebtedness amounted to Euro 117.9 million compared to Euro 115.2 million as of December 31, 2015. As of March 31, 2016, we had cash and cash equivalents of Euro 38.7 million as compared to Euro 17.2 million as of March 31, 2015.

CASH FLOW

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

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Total net cash at the beginning of the period	**39,039**	**31,308**	**7,731**	**24.7%**
Cash flow provided by/(used in) operating activities	3,906	(7,502)	11,408	>(100)%
Cash flow provided by/(used in) investing activities	(1,654)	(3,875)	2,221	(57.3%)
Cash flow provided by/(used in) financing activities	(2,622)	(2,773)	151	(5.4%)
Cash flow from the period	**(370)**	**(14,150)**	**13,780**	**(97.4%)**
Total net cash at the end of the period	**38,669**	**17,159**	**21,510**	**>100%**

The cash flow absorbed in the period amounts to Euro 0.4 million compare to Euro 14.2 million cash out during the first three months of 2015.
Cash flow generated from operating activities amounts to Euro 3.9 million, increasing Euro 11.4 million mainly to a reduction in the Net Working Capital absorption for Eur 9.8 million and increase in the profitability by Euro 1.6 million.
Notwithstanding the seasonality of the business, Operating Working Capital improved compare to the previous year thanks to a better inventory management that contributes for Euro 11.5 million and reduction of Trade Receivables for Euro 4.1 million notwithstanding the increase in the Wholesales partially offset by the decrease of Euro 3.2 million in Trade Payable.
Cash flow absorbed from investing activities relates to investments for the development of the Retail network. According with the Company strategy the retail expansion will continue at a slower pace in order to be more focused on the actual shops. Technology investment was substantially in line with the previous year.
Cash flow absorbed from financing activities is principally relates to interest expenses paid on the bond issued in 2014 and is in line with the previous year since the net financial position did not change materially.

CAPITAL EXPENDITURE

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

€/000	For the three months ended March 31, 2016	For the three months ended March 31, 2015	Change	% Change
Expansion	908	2,755	(1,847)	(67.0%)
Maintenance	227	332	(105)	(31.6%)
Headquarter	543	555	(12)	(2.2%)
Total capital expenditures	**1,678**	**3,642**	**(1,964)**	**(53.9%)**

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 (3 Boutiques in the first three months of 2016 compared to 3 Boutiques and 1 Outlets in the first three months of 2015). Lower capex reflects down rising expansion plan and significant key money paid at March 31, 2015.

- **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.

The Headquarters item mainly includes capital expenditure related to the purchase of production machineries for the weaving factory (Euro 0.4 million).

OPERATING WORKING CAPITAL

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

€/000	As of and for the three months ended March 31, 2016	As of December 31, 2015	Change	% Change
Inventory	31,044	57,470	(26,426)	(46.0%)
Trade Receivables	68,359	36,034	32,325	89.7%
Trade Payables	(28,812)	(42,866)	14,054	(32.8%)
Operating Working Capital	**70,591**	**50,638**	**19,953**	**39.4%**

Operating Working Capital (which represents the Net Working Capital gross of other current assets and liabilities) increased by Euro 20.0 million at March 31, 2016.

Inventories, net of the obsolescence provision, decreased by Euro 26.4 million. This reduction is principally due to a decrease in the inventory gross value as a result both the seasonality of our business and of a better stock management and stores' orders planning.

Trade receivables increased by Euro 32.3 million; the gross value of receivables increased from Euro 45.4 million to Euro 78.6 million. This increase is due to seasonal sales trends, wholesale sales volume is higher in the first quarter than in the fourth quarter, and partially offset by a reduced collection time. The doubtful debt provision increased from Euro 5.2 million to Euro 6.1 million, prudently accrued in consideration of the generally unstable economic environment both in Italy and in Europe.

Trade payables decreased by Euro 14.1 million. This reduction is principally due to the effect of advanced supplies in comparison with the same period of previous year and long transports delays due to the increased use of shipping transports which bring the timing of payments forward.

NET FINANCIAL INDEBTEDNESS

The following table sets forth our net financial indebtedness as of December 31, 2015 and as of March 31, 2016:

Net financial indebtedness (€/000)	As of March 31, 2016	As of December 31, 2015	Change	% Change
Cash and cash equivalents	38,669	39,039	(370)	(0.9%)
Bank overdrafts	(255)	(138)	(117)	84.8%
Total net cash	**38,414**	**38,901**	**(487)**	**(1.3%)**
Bank loans-current portion [(1)]	(6,276)	(4,065)	(2,211)	54.4%
Bank loans-non current portion	-	(78)	78	(100.0%)
Bank loans	**(6,276)**	**(4,143)**	**(2,133)**	**51.5%**
Bond	**(150,000)**	**(150,000)**	**-**	**-**
Net financial indebtedness [(2)]	**(117,862)**	**(115,242)**	**(2,620)**	**2.3%**
of which:				
Net financial indebtedness-current portion	*32,138*	*34,836*	*(2,698)*	(7.7%)
Net financial indebtedness-non-current portion	*(150,000)*	*(150,078)*	*78*	(0.1%)
Shareholder loan	**(76,459)**	**(75,170)**	**(1,289)**	**1.7%**
Net financial indebtedness [(2)]	**(194,321)**	**(190,412)**	**(3,909)**	**2.1%**

(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 March 31, 2016 totals Euro 117.9 million and consist of Net Cash of Euro 38.4 million and Financial Debts of Euro 156.3 million.
The Net cash is in line with the December 31, 2015 while the short-term financial debt (interest matured on the Bond, other unsecured loans and the fair value of the Group's financial instruments) increased by Euro 2.1 million mainly due to the decrease of the Fair value. Bond is referring to the Senior Secured Floating rate note of a nominal value of Euro 150 million, with maturity of July 15, 2019.
The loan issued by the shareholder ("Shareholder Loan") with maturity on June 29, 2020, on which interest matures at 7% annually, as of March 31, 2016 amounted to Euro 76.5 million, including interest matured in the current year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding as of March 31, 2016, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for Boutiques/Outlets, Showrooms and other buildings. These maturities may differ significantly from the actual maturity of these obligations.

€ in millions	Expected cash payments falling due in the years ending December 31,			
	2016	2017-2020	2021 and thereafter	Total
Notes offered hereby	-	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets [1]	12.2	50.5	30.3	93.0
Rent and operating leases commitments for Showroom [1]	0.3	1.5	0.4	2.2
Rent and operating leases commitments for Civil and Industrial Buildings [1]	0.4	4.7	4.4	9.5
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes [1]	0.2	0.3	-	0.5
Total	**13.1**	**207.0**	**35.1**	**255.2**

(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 March 31, 2016	As of March 31, 2015	Change	% Change
DOS and Outlet rental guarantees	6.1	5.6	0.5	8.9%
Derivatives	(3.8)	1.6	(5.4)	>(100%)
Total	**2.3**	**7.2**	**(4.9)**	**(68.1%)**

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 March 31, 2016 the amount of derivatives in place totaled USD 52.5 million. Following the establishment of the Twin Set East (Russia), the Group is also exposed to the depreciation of the ruble arising from loans and intercompany sales in local currency.

Credit risk

Commercial receivable risk is high in the sector, still featuring a high number of clients represented by individual enterprises. This risk is however mitigated by the low concentration of clients and the internal selection procedures, which ensure that sales on the Wholesale channel are made to solvent clients. As a general guideline, the Group undertakes insurance on European Union client sales, while for non-EU clients advanced or guaranteed payment is required.

Payments on the Retail channel are made through cash and credit cards.

Payments on the e-commerce channel are principally made by credit card.

According to Company policy, customers that request extensions of payment are subject to a credit rate check, both using information which may be sourced from specialized agencies and from observation and analysis on existing client data.

Moreover, the collection of receivables is constantly monitored during the year in order to ensure timely action and to reduce the risk of losses. An additional instrument utilized for the management of commercial credit risk is the undertaking of insurance policies with insurance or factoring companies, which guarantee indemnity in the case of insolvency.

Liquidity risk

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

Interest rate risk

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

TWIN-SET

SIMONA BARBIERI

TWIN SET – SIMONA BARBIERI S.p.A.

Unaudited Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2016

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2016

€/000	As of March 31, 2016	As of December 31, 2015
Assets		
Intangible assets	238,172	242,441
of which goodwill	*180,450*	*183,409*
Property, plant and equipment	11,171	10,683
Other financial assets	1,145	1,130
Total intangible assets, PP&E and other financial assets	**250,488**	**254,254**
Inventories	31,044	57,470
Trade receivables	72,504	40,171
Tax receivables	2,090	3,748
Deferred tax assets	9,331	9,518
Other receivables	676	550
Cash and cash equivalents	38,669	39,039
Total current assets	**154,314**	**150,496**
Other accrued income and prepaid expenses	1,923	1,248
Issue discount	992	1,066
Total accrued income and prepaid expenses	**2,915**	**2,314**
Total assets	**407,717**	**407,064**

€/000	As of March 31, 2016	As of December 31, 2015 (1)
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,297	134,369
Retained earnings	(28,642)	(15,634)
Profit/(loss) for the period	6,296	(10,640)
Total Group Shareholders' equity	**112,473**	**108,617**
Equity attributable to non-controlling interests	734	495
Total Shareholders' equity	**113,207**	**109,112**
Liabilities		
Provisions for risks and charges	12,766	9,263
Deferred tax liabilities	6,450	6,552
Provisions for employee severance indemnities	716	710
Bonds	150,000	150,000
Shareholder loan	76,459	75,170
Bank loans	827	890
Client advances	1,047	1,441
Trade payables	29,036	42,992
Tax payables	9,148	3,394
Social security payables	781	1,263
Other payables	5,427	4,367
Accrued expenses and deferred income	1,853	1,910
Total liabilities	**294,510**	**297,952**
Total liabilities and shareholders' equity	**407,717**	**407,064**

(1) The amounts as of December 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2016

€/000	Three months ended March 31,	Three months ended March 31,
Consolidated Income Statement	**2016**	**2015 (1)**
Revenue	88,058	85,461
Other income and internally generated assets	424	1,182
Change in work in progress, semifinished and finished product inventories	(27,498)	(15,947)
Total revenue and income	**60,984**	**70,696**
Purchase of raw materials, goods and changes in inventory	(9,092)	(14,419)
Cost of services	(16,248)	(21,308)
Rent	(4,643)	(4,157)
Personnel costs	(7,977)	(7,196)
Depreciation and Amortization	(5,524)	(5,489)
Write-downs of trade receivables	(1,132)	(1,280)
Provisions	(551)	(959)
Other operating costs	(508)	(1,146)
Total operating costs	**(45,675)**	**(55,954)**
Operating profit	**15,309**	**14,742**
Financial income/(expenses)	(3,801)	(3,289)
Profit/(loss) before tax	**11,508**	**11,453**
Income tax	(4,955)	(5,146)
Profit/(loss) for the period	**6,553**	**6,307**
Attributable to the Group	*6,296*	*6,137*
Attributable to non-controlling interests	*257*	*170*

(2) The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2016

(€/000)	Share capital	Share premium reserve	Legal reserve	Exchange reserve	Translation reserve	Retained earnings/(losses) Twin Set SPA [1]	Retained earnings/(losses) OTHERS	Profit/(loss) for the year	Total
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**31**	**2**	**(498)**	**(13,636)**	**120,459**
Allocation of 2014 result [2]	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	(1,500)	-	-	(1,500)
As of December 31, 2015	**522**	**133,840**	**104**	**95**	**329**	**(8,695)**	**(6,937)**	**(10,641)**	**108,617**
Allocation of 2015 result [3]	-	-	-	-	-	(11,510)	869	10,641	-
Dividend distribution	-	-	-	-	-	-	-	-	-
Result for the period	-	-	-	-	-	-	-	6,296	6,296
Change to translation reserve	-	-	-	-	(71)	-	-	-	(71)
Change to consolidation reserve	-	-	-	-	-	-	-	-	-
Change in Fair Value	-	-	-	-	-	(2,369)	-	-	(2,369)
As of March 31, 2016	**522**	**133,840**	**104**	**95**	**258**	**(22,574)**	**(6,068)**	**6,296**	**112,473**
Total Group Shareholders' equity									**112,473**
- Capital and reserves attributable to non-controlling interests									477
- Result for the year attributable to non-controlling interests									257
Total equity attributable to non-controlling interests									**734**
Total Shareholders' equity									**113,207**

(1) The amounts as of December 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2016

€/000	31/03/2016	31/03/2015
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**39,039**	**31,308**
Net cash flow from operating activities		
Profit/(loss) for the period	**6,553**	**6,307**
Income taxes	4,955	5,146
Amortization	4,963	4,906
Depreciation	561	583
Financial interest/(income)	3,778	3,653
Gains/losses of disposal	(18)	-
Change in bad debt provision	855	(54)
Change in slow moving provision	(65)	(1,348)
Change in provision for risks and charges	1,134	1,957
Change in employee severance indemities	6	1
Cash flow from operating activities before changes in net working capital	**22,722**	**21,152**
Change in inventories	26,491	14,987
Change in trade receivables	(33,188)	(37,322)
Change in trade Payables	(13,956)	(10,768)
Change in client advance	(394)	(574)
Change in other payables/receivables	2,329	4,644
Change in suppliers advance	(98)	379
Change in net working capital	**(18,816)**	**(28,654)**
Income taxes paid	-	-
NET CASH FLOW FROM OPERATING ACTIVITIES	**3,906**	**(7,502)**
Net cash flow from investing activities		
Investment in intangible assets	(661)	(2,314)
Investments in property, plant and equipment	(1,017)	(1,561)
Disposal of assets	24	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**(1,654)**	**(3,875)**
Net cash flow from financing activities		
Repayment of loans	(180)	(359)
Other changes in net equity	(89)	83
Net financial interest paid	(2,470)	(2,317)
Bank overdraft	117	(180)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(2,622)**	**(2,773)**
NET CASH FLOW FOR THE PERIOD	**(370)**	**(14,150)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**38,669**	**17,159**

TWIN-SET

SIMONA BARBIERI

TWIN SET – SIMONA BARBIERI S.p.A.

Explanatory Notes to the Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2016

EXPLANATORY NOTES

GENERAL INFORMATION

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

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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

Standards used to prepare the financial statements

The Interim Consolidated Financial Statements have been prepared in accordance with OIC 30 – *Interim Financial Statements* and should be read in conjunction with the Twin Set – Simona Barbieri annual consolidated financial statements for the year ended December 31, 2015 (the “Twin Set – Simona Barbieri Consolidated Financial Statements at December 31, 2015”), which have been prepared in accordance with General Accepted Accounting Principles in Italy (Italian GAAP) The accounting policies adopted are consistent with those used at December 31, 2015, and are described in following paragraphs.

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

Structure of financial statements and basis of presentation

The Interim Consolidated Financial Statements include the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders’ equity, the consolidated cash flow statement and the explanatory notes.
The consolidated balance sheet presents amounts as of December 31, 2015, while the consolidated income statement presents amounts related to the three months period ended March 31, 2015, for comparative purposes.
All amount shown in the Interim Consolidated Financial Statements are in thousands of Euro, unless otherwise specified.
The Interim Consolidated Financial Statements were approved by the Company’s Board of Directors on May 30, 2016.

CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Consolidation area and basis of consolidation

Company	Country	Result for the period	Net Equity incl. Result	Period-End	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	7,359	123,215	31/03/2016			
TS SHOES SRL	Italy	(60)	5,457	31/03/2016	80%	1,477	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	(46)	276	31/03/2016	90%	45	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(949)	(5,439)	31/03/2016	100%	-	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(241)	(120)	31/03/2016	100%	1,793	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(597)	(1,367)	31/03/2016	100%	1,405	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(240)	(821)	31/03/2016	100%	-	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	83	(1,523)	31/03/2016	80%	-	Line-by-line
TS SIMONA BARBIERI EAST LLC	Russia	22	(1,650)	31/03/2016	80%	-	Line-by-line

The Interim Consolidated Financial Statements of the TWIN SET - Simona Barbieri Group includes the financial statements of the Parent Company TWIN SET – Simona Barbieri S.p.A. and the financial statements of its subsidiaries as illustrated in the table above.

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

Basis of consolidation

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

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

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

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

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

ACCOUNTING POLICIES

The most significant accounting policies adopted in the preparation of the Interim Consolidated Financial Statements, consistent with those adopted for the preparation of Twin Set – Simona Barbieri Consolidated Financial Statements at March 31, 2016, are the following:

Intangible assets

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

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

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

Amortization

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

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

Property, plant and equipment

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

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

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

Depreciation

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

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

Other financial assets

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

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

Current Assets

Inventories

Inventories are measured at the lower of costs and net realizable value. The cost of inventories includes all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. In particular, for products acquired and held for resale and for direct or indirect materials, acquired and utilized in the production cycle, the historical cost adopted is the purchase cost. For the determination of the purchase cost, reference is made to the actual cost incurred, including any directly allocated acquisition costs including transport and customs expenses, less any commercial discounts.

For the products already produced or in the course of production, the historical cost adopted is the production cost. For the determination of the production cost, reference is made to the purchase cost, as previously indicated, plus the production or transformation expenses, therefore direct and indirect costs, for the portion reasonably allocated to the product relating to the production period.

The cost method utilized is the weighted average cost for the period which takes account of the value of the initial inventories.

Where it is no longer possible to value at historical cost in accordance with the above-mentioned criteria, due to reduction in sales prices, deteriorated, obsolescent or slow moving goods, the net realizable value is applied for the goods, finished products, semi-finished products and products in work in progress, and the replacement cost for raw materials, consumables and ancillary and for semi-processed products.

Receivables

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

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value.

Provisions for risks and charges

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

Employee severance indemnities

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

Payables

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

Accrued income and prepaid expenses

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

Memorandum accounts

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

Revenues and Costs

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

Income taxes

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

- the current taxes paid or to be paid, determined in relation to the assessable income in accordance with current provisions and tax rates;
- the amount of deferred tax assets or liabilities, determined in relation to the temporary difference between the values recorded in the 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 as of March 31, 2016. 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.

Derivative instruments

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

Use of estimates

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

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

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

Intangible assets

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

ACCOUNT	As of December 31, 2015			Changes in the year					As of March 31, 2016			
(€/000)	Historical cost	Accumulated amortization	Net book value	Additions 2016	Reclass. 2016	Decreases Hist. cost	Decreases Acc. Amort.	Amortization 2015	Exchange difference	Historical cost	Accumulated amortization	Net book value
Start up and formation expenses	1,379	(796)	584	1	-	-	-	(55)	-	1,380	(851)	529
Industrial patents and intellectual property rights	7,995	(3,848)	4,147	138	125	-	-	(345)	-	8,258	(4,193)	4,065
Concessions, licenses, trademarks and similar rights	29,424	(4,995)	24,429	5	-	-	-	(395)	-	29,429	(5,390)	24,039
Goodwill	218,463	(35,054)	183,409	-	-	-	-	(2,959)	-	218,463	(38,013)	180,450
Assets in progress and advances	389	-	389	211	(150)	-	-	-	-	450	-	450
Other intangible assets	43,294	(13,811)	29,483	306	25	(1)	1	(1,207)	32	43,656	(15,017)	28,639
Total intangible assets	**300,944**	**(58,504)**	**242,441**	**661**	**-**	**(1)**	**1**	**(4,961)**	**32**	**301,636**	**(63,464)**	**238,172**

The <u>Start up and formation expenses</u>, amounting to Euro 529 thousand, include incorporation expenses incurred by the Parent Company and its subsidiaries.

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 period, totaling Euro 263 thousand, are principally related to costs incurred by the Parent Company for IT consultancy and in particular: Euro 70 thousand for the purchase and installation of the new Oracle JD Edwards operating system, Euro 157 thousand for IT consultancy, mainly for the implementation of the *MPsoft* operating system, Euro 19 thousand for costs incurred for the Shopping On line project and Euro 9 thousand for the introduction of the *"PLM"* software, designed for the management of product technical information.

"Concessions licenses, trademarks and similar rights" reflects at period-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 5 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:

€/000	Historical cost	Revaluation L. 266/2005	Cumulative increases	Allocation premium price	Book value as of March 31, 2016
"Twin Set - Simona Barbieri" trademark	8	1,000	277	27,380	28,665

On July 22, 2014 the Company signed a Pledge Deed of Intellectual Property Rights pursuant to which the Company granted a pledge on the intellectual property rights relating to the trademark Twin-Set Simona Barbieri to Secured Creditors as better detailed in the indenture signed on the same date with respect to the issuance of the Senior Secure Notes.

Goodwill totals at March 31, 2016 Euro 180,450 thousand and includes for Euro 170,447 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 9,130 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 738 thousand) and Tessitura Sidoti (Euro 135 thousand).

Intangible assets in progress and advances total Euro 450 thousand and comprise Euro 375 thousand of assets of the Parent Company and specifically: Euro 101 thousand of costs concerning IT projects to be completed in the next months, Euro 116 thousand of costs incurred for the design and development of the new offices, Euro 90 thousand of costs incurred for the opening of two new Boutiques scheduled for the next months and the new Show Room in Milan and Euro 48 thousand of costs incurred for the implementation of a number of Shopping On line projects. The remaining Euro 76 thousand concerns costs incurred by the subsidiary TS France for the opening of a new Boutique in 2016.

Other intangible assets amount to Euro 28,639 thousand and principally comprise leasehold improvements (for a total of Euro 8,283 thousand), of which: Euro 4,765 thousand concerning the Parent Company, Euro 1,385 thousand concerning TS Spain, Euro 686 thousand concerning TS Belgium, Euro 521 thousand concerning TS France, Euro 482 thousand concerning TS Deutschland and Euro 444 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 16,282 thousand, of which: Euro 8,509 thousand concerning the Parent Company, Euro 2,952 thousand concerning TS Deutschland, Euro 2,033 thousand concerning TS France, Euro 1,513 thousand concerning TS Spain, Euro 1,123 thousand concerning TS Belgium and Euro 152 thousand concerning TS East) and costs incurred by the Parent Company following the issue of the Bond (Euro 4,071 thousand).
The increases and reclassifications of the period for Euro 331 thousand relate principally to expenses incurred in the period by the Parent Company and TS Belgium for the opening of the sales points at Taormina and Gent

Impairments

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

Property, plant and equipment

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

ACCOUNT	As of December 31, 2015			Changes in the year					As of March 31, 2016			
				Additions	Reclass.	Decreases						
(€/000)	Historical cost	Accumulated depreciation	Net book value	2016	2016	Hist. cost	Acc. deprec.	Depreciation 2016	Exchange difference	Historical cost	Accumulated depreciation	Net book value
Land and buildings	30	(11)	19	-	-	-	-	(1)	-	30	(12)	18
Plant and machinery	14,088	(9,057)	5,031	567	-	(882)	882	(228)	-	13,773	(8,403)	5,370
Industrial and commercial equipment	1,394	(1,072)	322	109	-	(47)	41	(56)	-	1,456	(1,087)	369
Other tangible assets	10,857	(5,546)	5,311	185	-	-	-	(277)	26	11,068	(5,823)	5,245
Construction in progress and advances	-	-	-	157	-	-	-	-	12	169	-	169
Total property, plant and equipment	**26,369**	**(15,686)**	**10,683**	**1,018**	**-**	**(929)**	**923**	**(562)**	**38**	**26,496**	**(15,325)**	**11,171**

Land and buildings, amounting to Euro 18 thousand, refers to light constructions.

Plant and machinery 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 period, totaling Euro 567 thousand, concern investments by the Parent Company (Euro 468 thousand) and its subsidiaries (Euro 99 thousand), principally for the installation of electric, lighting and video-surveillance plant at the new stores opened in the first quarter of 2016 and particularly at Taormina and Gent. Euro 381 thousand are related to capital expenditure to the purchase of production machineries for the weaving factory by the Parent Company.

Industrial and commercial equipment amount to Euro 369 thousand and principally includes equipment for the ironing, moulds and cutting tools section and commercial equipment at the various stores and outlets managed directly.
The increases in the period totaling Euro 109 thousand (of which Euro 37 thousand the Parent Company), are related principally to the acquisition of equipment for the new stores opened in the period and for existing stores. The residual part of the increases concerns the subsidiary Twin Set Shoes (for Euro 65 thousand), principally for the purchase of moulds and cutting tools.
The decreases in the period concern for Euro 30 thousand the disposal of moulds and cutting tools no longer appropriate for the production of the subsidiary TS Shoes.

Other tangible assets amount to Euro 5,245 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 in the period, totaling Euro 185 thousand, are related to the purchase of furniture and fittings and EDP, principally for the stores opened/restructured in the period (for a total of Euro 149 thousand, of which Euro 62 thousand concerning the Parent Company), in addition to existing stores. They also relate to the purchase of ordinary operating assets.

The disposals in the first quarter of 2016 resulted in gains totaling Euro 24 thousand, recognized to other revenues and losses of Euro 5 thousand recognized to other operating charges.

Current Assets

Inventories

The changes in inventories are shown in the table below:

€/000	As of March 31, 2016	As of December 31, 2015	Changes	% Changes
Raw materials, consumables and goods	4,913	3,647	1,266	34.7%
Work-in-progress and semi-finished products	1,654	2,607	(953)	(36.6%)
Finished goods	24,477	51,215	(26,738)	(52.2%)
Total inventories	**31,044**	**57,470**	**(26,426)**	**(46.0%)**

€/000	As of December 31, 2015	Provisions	Utilizations	As of March 31, 2016
Raw materials, consumables and goods obsolescence provision	(2,665)	(262)	33	(2,894)
Work-in-progress and semi-finished products obsolescence provision	-	-	-	-
Finished goods obsolescence provision	(12,304)	(1,094)	1,326	(12,072)
Total obsolescence provision	**(14,969)**	**(1,356)**	**1,359**	**(14,966)**

The inventories consist of:

- Raw materials, consumables and goods of Euro 4,913 thousand, net of the obsolescence provision of Euro 2.894 thousand relating to yarns, textiles, accessories, hides and glues;
- Work in progress and semi-finished products, amounting to Euro 1,654 thousand, referring to clothing and footwear in production not completed at year-end;
- Finished goods, amounting to Euro 24,477 thousand, net of the relative obsolescence provision of Euro 12.072 thousand comprise garments and footwear produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

Inventory decrease compared to December 31, 2015 due to the seasonality of our business that generally peaks in December and June on the launch of our spring/summer collections and fall/winter collections, respectively. This reduction is due to: a decrease in the inventory gross value as a result of a better stock management and stores' orders planning; an increase, in the second half of 2015, of the obsolescence provision due to a prudent write-down of the seasons of previous years (A4 and S5).

Receivables

The changes in receivables are shown in the table below:

€/000	As of March 31, 2016	As of December 31, 2015	Changes	% Changes
Trade receivables	72,504	40,171	32,333	80.5%
Tax receivables	2,090	3,748	(1,658)	(44.2%)
Deferred tax assets	9,331	9,518	(187)	(2.0%)
Other receivables	676	550	126	22.9%
Total receivables	**84,601**	**53,987**	**30,614**	**56.7%**

Trade receivables, amounting to Euro 72,504 thousand (Euro 40,171 thousand at December 31, 2015), refer to trade receivables for the sale of products produced and distributed by the Parent Company for Euro 71,708 thousand, by the subsidiary Tessitura Sidoti for Euro 738 thousand and by the subsidiary Twin Set Shoes for Euro 58 thousand.

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 the first three months of 2016 are as follows:

€/000	As of December 31, 2015	Provisions	Utilizations	As of March 31, 2016
Doubtful debt provision	5,208	1,132	(277)	6,063

Tax receivables, amounting to Euro 2,090 thousand (Euro 3,748 thousand at December 31, 2015), principally comprise VAT receivables of Euro 1,054 thousand (Euro 2,755 thousand at December 31, 2015), 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 276 thousand and by the subsidiary TS Spain for Euro 203 thousand and other tax receivables of Euro 315 thousand.

The deferred tax assets refer to temporary differences fiscally deductible in future years. These receivables concern the Parent Company for Euro 8,349 thousand.

Other receivables principally refer to receivables from suppliers and customers not offset with payables at period-end for advances and credit notes to be received, totaling Euro 438 thousand (Euro 392 thousand at December 31, 2015).

Cash and Cash equivalents

The account includes Euro 38,467 thousand related to bank and postal accounts and Euro 202 thousand related to cash on hand. For a better understanding of the changes in cash and cash equivalents, reference should be made to the cash flow statement.

Other accrued income and prepaid expenses

The account includes accrued income concerning cost of services and prepaid expenses mainly related to marketing expensive, utilities and rentals.

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

Issued discount

The account amounts to Euro 992 thousand (Euro 1,066 thousand as of December 2015) and includes the discount on the issue of the Bond loan.

Net Equity

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

Provisions for risks and charges

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

€/000	As of December 31, 2015 (1)	Provision	Utilizations	Other changes	As of March 31, 2016
Provision for pensions and similar obligations	4,432	583	-	-	5,015
Other provision for risks and charges	634	150	-	-	784
Passive derivative financial instruments	1,500	-	-	2,369	3,869
Provision for returns	2,697	1,224	(823)	-	3,098
Total provisions for risks and charges	**9,263**	**1,957** -	**823.00**	**2,369.00**	**12,766**

(1) The amounts as of December 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

The Provision for pensions and similar obligations refers principally to the Parent Company (Euro 5,014 thousand) and are related to the amount due to sales representatives for future contract terminations.
Provisions were determined in accordance with the National Agents' Agreement for the Italian agents and sector agreements for the overseas agents and were recorded under service costs in the Income Statement.

The Other provision for risk and charges include the risk provision concerning potential disputes with third parties amounting to Euro 784 thousand. The accrual of the period relates to Twin Set Deutchland.

Passive derivative financial instrument is related to the Fair value of the hedging transactions put in place to mitigate the Exchange risk on USD Dollars purchasing and Interest rate risk on the Bond.
The negative fair value increased in the period due to the USD Dollar depreciation and interest rate decreased.

The Provision for returns on sales is accrued on the basis of the estimated and expected returns relating to sales made during the period, the accrual is booked in the income statement in the operating costs.

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

Deferred tax liabilities

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

Provision for employee severance indemnities

The provision reflects the liability of the Italian companies as of March 31, 2016 to all employees at that date, less advances made and transfers to the INPS Treasury Fund and the Open Funds.

Payables

The changes in payables are shown in the table below:

€/000	As of March 31, 2016	As of December 31, 2015	Changes	% Changes
Bonds	150,000	150,000	-	-
Shareholder loan	76,459	75,170	1,289	1.7%
Bank loans	827	890	(63)	(7.1%)
Client advances	1,047	1,441	(394)	(27.3%)
Trade payables	29,036	42,992	(13,956)	(32.5%)
Tax payables	9,148	3,394	5,754	>100%
Social security payables	781	1,263	(482)	(38.2%)
Other payables	5,427	4,369	1,058	24.2%
Total payables	**272,725**	**279,519**	**(6,794)**	**(2.4%)**

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 76,459 thousand, including interest matured in the period. 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 255 thousand (Euro 138 thousand at December 31, 2015) and loans totaling Euro 572 thousand (Euro 752 thousand at December 31, 2015). The reduction in bank loans is due to the repayment of loans during the period.

The following table reports a breakdown of bank loans as of March 31, 2016 and the changes during the period:

€/000	As of December 31, 2015	Changes in the year		As of March 31, 2016	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	207	(51)	-	156	29/12/2016	156	-	156	-
BPER (3564210)	388	(77)	-	311	30/12/2015	311	-	311	-
BANCA POP. COMM.& IND.	157	(52)	-	105	02/01/2016	105	-	105	-
Total	**752**	**(180)**	**-**	**572**		**572**	**-**	**572**	**-**

The Client advances, amounting to Euro 1,047 thousand (Euro 1,441 thousand as of December 31, 2015), refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 29,036 thousand (Euro 42,992 thousand at December 31, 2015) refer to payables for athe supply of goods and services for Euro 20,567 thousand (Euro 36,562 thousand at December 31, 2015) and payables to agents for commissions of the Parent Company for Euro 8,244 thousand (Euro 6,220 thousand at December 31, 2015). The amount includes also the payable of the Parent Company to Mo.da Gioielli for Euro 225 thousand.
The decrease of Euro 6,794 thousand compared to December 31, 2015 is principally due to the effect of advanced supplies in comparison with the same period of previous year and long transports delays due to the increased use of shipping transports, which bring the timing of payments forward.

Tax payables, amounting to Euro 9,148 thousand (Euro 3,394 thousand at December 31, 2015) 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 911 thousand (Euro 1,317 thousand at December 31, 2015), the IRES payables of the Parent Company for Euro 5,472 thousand (Euro 1,500 thousand at December 31, 2015), the VAT payable for Euro 1.477 thousand, the IRAP payable of the Parent Company for Euro 1,138 thousand and of the TS Shoes for Euro 6 thousand, the residual payable following the Italian tax authority assessment for fiscal year 2013 of the parent company for Euro 72 thousand and other tax payables of Euro 72 thousand.

Social security payables, amounting to Euro 781 thousand (Euro 1,263 thousand at December 31, 2015), principally refer to INPS payables for Euro 590 thousand (Euro 921 thousand at December 31, 2015), ENASARCO for Euro 161 thousand (Euro 129 thousand at December 31, 2015) and other social security institutions for Euro 30 thousand (Euro 29 thousand at December 31, 2015). The payables principally concern the Parent Company and the subsidiaries Twin Set Shoes and Twin Set France.

Other payables, amounting to Euro 5,427 thousand (Euro 4,369 thousand at December 31, 2015), include payables to employees for salaries, vacations, 13th and 14th month and relative contributions totaling Euro 5,143 thousand (Euro 4,102 thousand at December 31, 2015), payables of the Parent Company for deposits received for Euro 79 thousand (unchanged on December 31, 2015) and other payables for Euro 284 thousand (Euro 187 thousand at December 31, 2015).

Accrued expenses and deferred income

As of March 31, 2016, the account includes principally accrued expenses, that mainly include interests on Bond.

Hedging instruments

As of March 31, 2016, Flexible Forward contracts for a total of USD 52,500 thousand are in place to partially hedge the currency risk arising from the purchase of goods denominated in USD. The details and fair value of the contracts as of March 31, 2016 are shown in the following table:

€/000								
Bank	**Contract type**	**Amount (USD/000)**	**Operation date**	**Date init. util.**	**Maturity date**	**Forward Rate**	**Ctr (Euro/000)**	**Fair Value (EUR/000)**
Unicredit	Flexi forward	5,000	23/03/2015	01/04/2016	30/06/2016	1.0925	4,577	(258)
Carisbo	Flexi forward	5,000	24/08/2015	01/04/2016	31/07/2016	1.1645	4,294	102
BNL	Flexi forward	5,000	23/03/2015	01/06/2016	31/08/2016	1.1000	4,545	(221)
BNL	Flexi forward	5,000	24/03/2015	01/06/2016	31/08/2016	1.1060	4,521	(191)
BPER	Flexi forward	3,000	21/10/2015	01/07/2016	31/10/2016	1.1400	2,632	(12)
BPER	Flexi forward	4,000	21/10/2015	01/10/2016	31/12/2016	1.1426	3,501	(6)
BPER	Flexi forward	4,000	18/11/2015	01/10/2016	31/12/2016	1.0760	3,717	(273)
BPER	Flexi forward	2,000	18/11/2015	01/10/2016	31/12/2016	1.0755	1,859	(137)
BPER	Flexi forward	1,000	04/12/2015	01/12/2016	31/03/2017	1.1000	909	(44)
BNL	Flexi forward	2,000	22/04/2016	09/01/2017	27/04/2017	1.1300	1,770	(28)
Unicredit	Flexi forward	4,000	04/12/2015	01/12/2016	31/03/2017	1.1000	3,636	(176)
BPER	Flexi forward	2,500	31/03/2016	01/02/2017	28/04/2017	1.1391	2,195	(13)
Unicredit	Flexi forward	5,000	31/03/2016	02/05/2017	31/07/2017	1.1540	4,333	50
Bper	Flexi forward	5,000	11/02/2016	01/02/2017	30/04/2017	1.1450	4,367	5
Total		**52,500**					**46,856**	**(1,202)**

As of March 31, 2016, Interest Rate Swap (IRS) contract of Euro 100 million partially hedges the interest rate risk arising from the Notes. The detail and fair value of the contract as of March 31, 2016 is shown in the following table:

€/000						
Counterparty	**Amount**	**Operation date**	**Maturity date**	**Rate**	**Floater**	**Fair Value**
Unicredit	100,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(2,667)
Total	**100,000**					**(2,667)**

Revenue

Revenue increased by Euro 3,111 thousand, or 3.7%, to Euro 86,733 thousand for the three months ended March 31, 2016 from Euro 83,622 thousand for the three months ended March 31, 2015. This increase was due to both wholesale and retail channel as detailed before.

The following table sets forth the breakdown of our revenue by distribution channel for the three months ended March 31, 2015 and 2016.

Breakdown of revenue by distribution channel	Three months ended March 31,	% of Twin Set Revenue	Three months ended March 31,	% of Twin Set Revenue	Change	% Change
(€/000)	**2016**		**2015 [1]**			
Wholesale	66,126	76.2%	65,223	78.0%	903	1.4%
Retail (including on line)	20,607	23.8%	18,399	22.0%	2,208	12.0%
Twin Set Revenue	**86,733**	**100%**	**83,622**	**100%**	**3,111**	**3.7%**

(1) The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

The following table sets forth the breakdown of our revenue by geographic area for the three months ended March 31, 2015 and 2016.

Breakdown of revenue by geography (€/000)	For the three months ended March 31, 2016	For the three months ended March 31, 2015 [1]	Change	% Change
Italy	53,599	55,453	(1,854)	(3.3%)
Benelux	5,610	5,828	(218)	(3.7%)
Spain	7,369	5,857	1,512	25.8%
France	4,186	3,231	955	29.6%
Greater Russia	4,101	3,600	501	13.9%
Germany	3,954	2,935	1,019	34.7%
Other countries	7,914	6,718	1,196	17.8%
Twin Set Revenue	**86,733**	**83,622**	**3,111**	**3.7%**

[1] The amounts as of March 31, 2015 were reclassified to make them comparable with those as of March 31, 2016

Other income

Other income and internally generated assets are composed of:

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Rental income	14	13	1	7.7%
Reimbursements	23	12	11	91.7%
Ordinary gains	24	1	23	>100%
Prior year income	248	1,005	(757)	(75.3%)
Other income	42	34	8	23.5%
Internally generated assets	73	117	(44)	(37.6%)
Total other income and internally generated assets	**424**	**1,182**	**(758)**	**(64.1%)**

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

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

Internally generated assets, amounting to Euro 73 thousand, principally refers for Euro 23 thousand to the capitalization of employee costs for the development of the shopping on line projects, Euro 20 thousand for the development of the new Oracle JD Edwards operating system and Euro 12 thousand for the costs incurred for the design of the new offices.

Prior year income, amounting to Euro 248 thousand (Euro 1,005 thousand as of March 2015) and refers to other income non recurring. As of March 31, 2015 the account included Euro 900 thousand related to the transfer of unpaid trade receivables to the shareholders. The amount was offset by the same amount included in other operating costs.

Financial income/(expenses)

Financial expenses increased by Euro 512 thousand to Euro 3,801 thousand in the three months of 2016 from Euro 3,289 thousand in the same period of 2015. Other Financial income refers to interest matured on current accounts.

Interest and other financial expenses principally concerns interest paid on the Bond Loan for Euro 2,402 thousand and interest matured on the Shareholder loan for Euro 1,289 thousand.

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Other financial income	6	4	2	50.0%
Interest and other financial expenses	(3,785)	(3,657)	(128)	3.5%
Foreign exchange gains/(losses)	(22)	364	(386)	>(100%)
Total financial income/(expenses)	**(3,801)**	**(3,289)**	**(512)**	**15.6%**
% of Twin Set Revenue	*(4.4%)*	*(3.9%)*		

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

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Shareholder loan interest	**1,289**	**1,191**	**98**	**8.2%**
Bank interest	**94**	**47**	**47**	**100.0%**
Loan interest	*4*	*12*	*(8)*	(66.7%)
Overdraft and short-term loan interest	*3*	*14*	*(11)*	(78.6%)
Bank charges	*87*	*21*	*66*	>100%
Interest on Bond	**2,402**	**2,419**	**(17)**	**(0.7%)**
Total interest and other financial expenses	**3,785**	**3,657**	**128**	**3.5%**

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

Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
Current taxes	(4,869)	(4,991)	122	(2.4%)
Deferred taxes	102	(218)	320	>(100%)
Prepaid taxes	(188)	63	(251)	>(100%)
Total income tax	**(4,955)**	**(5,146)**	**191**	**(3.7%)**

Current taxes are as follows:

€/000	Three months ended March 31, 2016	Three months ended March 31, 2015	Change	% Change
IRES	(4,012)	(4,018)	6	(0.1%)
IRAP	(898)	(973)	75	(7.7%)
Income from tax consolidation	41	-	41	100%
Total current taxes	**(4,869)**	**(4,991)**	**122**	**(2.4%)**

Current taxes, amounting to Euro 4,869 thousand as of March 31, 2016, include IRES for Euro 4,012 thousand (totally related to TS Italy) and IRAP for Euro 898 thousand (of which Euro 892 thousand related to TS Italy and Euro 6 thousand to TS Shoes).