TWIN SET – SIMONA BARBIERI S.p.A.

Annual report as of and for the year ended December 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 year ended December 31, 2016. This discussion should be read together with the Twin Set – Simona Barbieri Group Consolidated Financial Statements as of and for the year ended December 31, 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 TwinSet from head to toe, for any occasion and at any time of the day. We offer our customers the features associated with a luxury brand, such as high-quality products, stylish stores and a personalized shopping experience with strong customer service, but at more affordable prices. We believe our value proposition appeals to both high-income customers seeking luxury products, as well as mass-market customers who can "trade up" at affordable prices.

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

Twinset group, through its collections, produces and offers a complete line of products. The Twinset – Simona Barbieri collection was the first line in production (since 2000) which features ready-to-wear products, its iconic knitwear pieces and accessories, including the herobag "Cecile Deux". It has a casual-chic feeling and is romantic and elegant. My Twin collection is more street and urban oriented, targeting the active and contemporary woman. SCEE is a line of traditional and comfortable apparel products. U&B world is dedicated to Beachwear, Lingerie and Active lines. For kids, we have Twinset Baby aged 2-3 and Twinset Junior aged 4-6.

TWINSET has its headquarters in Carpi (Modena) and, with about 900 employees, is one of the fastest growing womens' clothing companies. The collections are distributed through 78 boutiques and outlets, franchise stores, corners, wholesale distribution channels in Italy, Europe, Russia and Middle East and a dedicated Online sales website.

RECENT DEVELOPMENTS

On June 30, 2016, Tessitura Sidoti S.r.l. sold its stake in Twin Set – Simona Barbieri Belgium to Twin Set – Simona Barbieri France SASU and MO.DA Gioielli S.r.l. purchased from Twin Set- Simona Barbieri S.p.A. the 100% stake held in Tessitura Sidoti S.r.l. As a result, Tessitura Sidoti S.r.l. is now fully owned by MO.DA Gioielli S.r.l. and is no longer a company of the Twin Set Group.
On October 18, 2016 Twin Set – Simona Barbieri S.p.A purchased the remaining 20% of the share capital of Twin-Set Simona Barbieri Dutch holding BV. As a result Twin Set – Simona Barbieri East Ltd is now fully owned by Twin Set-

Simona Barbieri S.p.A. through the Dutch holding.

General economic conditions and industry overview

The global economy overall saw growth of 3.1%, confirming that the worst economic crisis since the second word war is now behind us. However, current growth levels remain weaker than those before the bursting of the sub-prime bubble in 2008.

2016 stands out for two political events - Brexit and the US Presidential elections - which fed uncertainty throughout the year. While the former so far does not seem to have delivered the originally feared repercussions, the election to the Presidency of Donald Trump has generated a general sense of euphoria in view of his ultra-expansive economic policy platform centring on tax cuts and hikes in public investment.

US growth of 1.6% in 2016 and the particularly strong recent macro-economic figures have led the Federal Reserve to gradually increase official interest rates, with the only doubt concerning the timing of raises - two or three depending on the speed of the recovery and inflation rates.

Elsewhere, China reported growth of 6.7% - in line with expectations. The government is supporting the economy through extensively relying on public spending and easy lending conditions, risking the possibility of a hard landing - as demonstrated by the continual deterioration of the Chinese currency. It is a source of concern for the Central Bank which was forced to support stability through currency interventions.

The Eurozone economy shown a significant capacity to recover from geopolitical uncertainty and has belied previous forecasts of a slower recovery - advancing 1.7% in the year (although declining from the 2% of 2015). However, political uncertainty, continually low inflation and growth which struggle to take off continue to support a cautious outlook by the European Central Bank, despite recent improvements in Eurozone economic figures.
Italy continues its contained but stable growth (+0.8% in 2016), although lags behind its European partners (Germany +1.6%; Spain +2.3%; France +1.4%) - impacted by structural weaknesses such as the public debt and unemployment levels which hinder more solid growth. Domestic consumption growth is flat, with retail sales increasing 0.1% on 2015 - well behind the 1.8% reported by the Eurozone.
Despite the recent economic recovery, a number of obstacles still threaten the stability and weigh upon the global economic outlook for 2017: (i) political uncertainty in Europe with the elections in France, Germany and the Netherlands, in addition to political instability in Italy; (ii) the effects of the US protectionist policy (iii) an uptake in inflation following higher raw material costs which may impact the recovery of already fragile consumer numbers.

KEY PERFORMANCE INDICATORS

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are:

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

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

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

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

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

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

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

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

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

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

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

Many factors influence like-for-like sales, including fashion trends, competition, economic conditions, pricing, the timing of the release of new merchandise and promotional events, changes in our product mix, and weather conditions. Our ability to translate our fashion concepts into viable commercial production throughout the year, footfall at our point of sale locations, 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 Boutiques and Outlets.

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

Like-for-like revenue performance	For the year ended December 31,					
(% increase over prior period)	2011	2012 (1)	2013	2014	2015	2016
Total retail (Boutique and outlets)	5.2%	6.5%	7.8%	2.4%	7.1%	(4.2%)

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

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 65.0% and 66.1% of Twinset Revenue for the years 2016 and 2015, respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. Reported EBITDA margins are typically higher in our wholesale channel, due to the higher fixed costs necessary to operate retail stores.

The following table reconciles Reported EBITDA to Adjusted EBITDA:

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015 (1)	Change	% Change
Reported EBITDA (1)	**43,733**	**36,019**	**7,714**	**21.4%**
Non-recurring obsolescence provision	(2,288)	-	(2,288)	100.0%
Non-recurring costs	1,808	1,402	406	29.0%
Other items (1)	385	675	(290)	(43.0%)
Adjusted EBITDA	**43,638**	**38,096**	**5,542**	**14.5%**
Adjusted EBITDA Margin	*17.9%*	*16.0%*		

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

As shown in the table above, our Adjusted EBITDA reached Euro 43.6 million, 17.9% of Twinset Revenue. The Adjusted EBITDA increased by 14.5% compared to 2015.
The improved margin is due to higher revenue volume in absolute value, to the actions put in place by the Entity since 2015 to reduce operating costs and to the overall improvement of the supply chain management.

The Release of the obsolescence provision was possible thanks to the implementation of a policy ensuring the efficient stock disposal stock, prudently written down in previous years. In addition, we consider improved incoming goods Supply Chain planning and the reduction in previous season inventory. This production chain improvement, in addition to a more efficient disposal of previous seasons inventory, also reduced the accrual to the obsolescence provision in 2016.

The non-recurring costs principally include provisions for risks and disputes, prior year charges on employee severance packages and the loss related to the deconsolidation of Tessitura Sidoti on June 30, 2016.

“Other items” includes for Euro 0.36 million bank commissions and for Euro 0.02 million net prior year income/(expenses).

KEY INCOME STATEMENT ITEMS

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

Revenue

Revenue is calculated by adding gross sales from customers minus discounts, rebates and customer returns. Revenue includes Twinset Revenue and other revenue. Twinset 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

Year ended December 31, 2016 of Twinset compared to the year ended December 31, 2015 of Twinset

The following table sets forth the financial information of Twinset for the year ended December 31, 2016 compared to the financial information of Twinset for the year ended December 31, 2015.

€/000 Consolidated Income Statement	For the year ended December 31, 2016	% of revenue	For the year ended December 31, 2015 (1)	% of revenue	Change	% Change
Revenue	245,612	*100.0%*	243,522	*100.0%*	2,090	*0.9%*
Other income and internally generated assets	2,337	*1.0%*	2,618	*1.1%*	(281)	*(10.7%)*
Change in work in progress, semifinished and finished product inventories	(2,814)	*(1.1%)*	(559)	*(0.2%)*	(2,255)	*>100%*
Purchase of raw materials, goods and changes in inventory	(81,499)	*(33.2%)*	(87,301)	*(35.8%)*	5,802	*(6.6%)*
Cost of services	(63,571)	*(25.9%)*	(67,142)	*(27.6%)*	3,571	*(5.3%)*
Rent	(19,423)	*(7.9%)*	(17,756)	*(7.3%)*	(1,667)	*9.4%*
Personnel costs	(31,791)	*(12.9%)*	(30,228)	*(12.4%)*	(1,563)	*5.2%*
Write-downs of trade receivables	(2,839)	*(1.2%)*	(3,036)	*(1.2%)*	197	*(6.5%)*
Provisions	(52)	*(0.0%)*	(1,353)	*(0.6%)*	1,301	*(96.2%)*
Other operating costs	(2,228)	*(0.9%)*	(2,747)	*(1.1%)*	519	*(18.9%)*
Reported EBITDA	**43,732**	***17.8%***	**36,019**	***14.8%***	**7,713**	***21.4%***
Depreciation and Amortization	(23,720)	*(9.7%)*	(23,112)	*(9.5%)*	(608)	*2.6%*
Write-downs	(803)	*(0.3%)*	(2,188)	*(0.9%)*	1,385	*(63.3%)*
Operating profit	**19,209**	***7.8%***	**10,718**	***4.4%***	**8,491**	***79.2%***
Financial income/(expenses)	(14,670)	*(6.0%)*	(16,170)	*(6.6%)*	1,500	*(9.3%)*
Profit/(loss) before tax	**4,539**	***1.8%***	**(5,452)**	***(2.2%)***	**9,991**	***>(100%)***
Income tax	(7,935)	*(3.2%)*	(4,955)	*(2.0%)*	(2,980)	*60.1%*
Profit/(loss) for the period	**(3,396)**	***(1.4%)***	**(10,407)**	***(4.3%)***	**7,011**	***(67.4%)***

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

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

Reconciliation Revenue vs Twinset Revenue	2016	2015
Revenue	245,612	243,522
Other Revenues (*)	(1,791)	(4,163)
Returns estimate (**)	(449)	(2,000)
Twinset Revenue	**243,372**	**237,359**

(*) Other revenues principally concern sales to third parties of samples, yarns, textiles and other production materials not utilised for internal production

(**) The estimate of returns is based on historic trends of quantities returned, valued at full sales price

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

Twinset revenue. Twinset revenue increased by Euro 6.0 million, or 2.5%, to Euro 243.4 million for the year ended December 31, 2016 from Euro 237.4 million for the year ended December 31, 2015.

The increase is due to the growth of the Retail channel (+5.7%), while the Wholesale channel remained substantially unchanged.

The following table sets forth the breakdown of Twinset Revenue by distribution channel for the year ended December 31, 2015 and 2016.

Breakdown of revenue by distribution channel	For the year ended December 31,	% on Twin Set Revenue	For the year ended December 31,	% on Twin Set Revenue	Change	% Change
(€/000)	2016		2015			
Wholesale	158,293	65.0%	156,849	66.1%	1,444	0.9%
Retail (including on line)	85,079	35.0%	80,510	33.9%	4,569	5.7%
Twinset Revenue	**243,372**	**100%**	**237,359**	**100%**	**6,013**	**2.5%**

Wholesale

The Wholesale channel revenue is almost flat with a slight growth of +0.9% on the previous year, thanks particularly to the Franchising channel (generating sales of Euro 8.0 million, compared to Euro 5.4 million in 2015, +47%) that partially offset the contraction of some traditional markets, firstly Italy, which recorded a decrease in sales in line with market trends.

Retail (including online)

Retail channel sales increased Euro 4.6 million. This increase is principally due to the good performance of the Outlets and to the contribution of the new openings (11, net of the 4 closures in the year, of which 2 concerning Outlets reallocated to more strategic locations).

The online shop channel reported a positive performance, with 2016 revenues of Euro 7.1 million (increasing Euro 1.2 million, up 21.4% on 2015). The increase is due to the greater number of website visits, the improved conversion rate (ratio between orders and visits) and the higher average order value. The improved conversion rate and results in general follow:

- an even better product offer, with more than 1,000 models available for online purchase each season;
- new online payment methods, such as ideal;
- introduction of the customer assistance service via chat in Italy;
- improved product sheet graphics and other functional parts of the website;
- optimisation of the website response speed;
- extension of the virtual fitting room service to more products and of the fit advisor service to additional ranges;
- opening of sales to the Russian market;
- launch of a Twinset shop on the eBay marketplace.

The Retail sales channel percentage of Twinset revenue increased 1.1 p.p. from 33.9% in 2015 to 35.0% in 2016.

The table below sets forth the retail points of sale by geographic area for years 2015 and 2016.

Retail points of sales	As of December 31, 2016		As of December 31, 2015	
	Boutique	Outlet	Boutique	Outlet
Italy	34 [(1)]	17	31	14 [(1)]
Outside of Italy	23	4	19	3
Total retail point of sale	**57**	**21**	**50**	**17**
	78		**67**	

[(1)] Numbers are net of the store closings that occurred in the period (2 Boutiques and 2 Outlets in 2016)

During the year under review, our retail points of sale network expanded from 67 retail points of sale as of December 31, 2015 (50 Boutiques and 17 Outlets) to 78 retail points of sale as of December 31, 2016 (57 Boutiques and 21 Outlets).

In 2016, in line with the Group's strategic plan, we focused investments on new sales points in Italy and overseas: 3 Boutiques and 3 Outlets in Italy (net of 4 closures), a Boutique in Spain, a Boutique in Belgium, two Boutiques in France and a Outlet in Russia. The table below presents the points of sale openings for the year 2016 compared to the year 2015:

Retail points of sales openings	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Boutique	Outlet	Boutique	Outlet
Italy	3	3 [(1)]	4 [(1)]	3
Outside of Italy	4	1	2	1
Total retail point of sale	**7**	**4**	**6**	**4**
	11		**10**	

[(1)] Numbers are net of the store closings that occurred in the period (2 Boutiques and 2 Outlets in 2016)

The table below presents channel revenue by sub-channel for the years indicated.

Breakdown of retail revenue by sub-channel (€/000)	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2016	2015		
Boutique	55,984	57,707	(1,723)	(3.0%)
Outlet	22,013	16,970	5,043	29.7%
Online	7,082	5,833	1,249	21.4%
Retail Revenue	**85,079**	**80,510**	**4,569**	**5.7%**

During the year, sales on the Retail channel increased, both in terms of Outlet revenues and Online revenues. Boutique sales however slightly contracted mainly due to the German Boutiques and to the negative performance of those in France and Belgium, also as a consequence of the terrorist attacks that took place in these countries at the end of 2015 and beginning of 2016. Outlet revenues rose Euro 5.0 million (+29.7%), with the online Shop channel growing 21.4% to Euro 7.1 million, thanks also to the previously described marketing initiatives.

The following table breaks down Twinset Revenue by geography for the years 2015 and 2016.

Breakdown of revenue by geography (€/000)	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2016	2015		
Italy	148,143	151,053	(2,910)	(1.9%)
Benelux	16,114	16,270	(156)	(1.0%)
Spain	18,708	16,038	2,670	16.6%
France	10,014	9,090	924	10.2%
Greater Russia	17,789	13,769	4,020	29.2%
Germany	9,013	9,558	(545)	(5.7%)
Other countries	23,591	21,581	2,010	9.3%
Twinset Revenue	**243,372**	**237,359**	**6,013**	**2.5%**

Italy.
Italian sales decreased 1.9% on the previous year due to the combined effect of the following factors: the strong performance of the Retail network (3 Boutiques and 3 Outlets, net of closures in the year) with growth of 6.0%, thanks particularly to the Outlet performance (+28.9%); the poor performance of the traditional Wholesale channel (-7.4% on 2015).

International.
Compared to 2015 revenue generated outside of Italy increased by 10.3%.
The result is principally due to the international development of the Retail network (1 Boutique in Spain, 1 Boutique in Belgium, two Boutiques in France and 1 Outlet in Russia), and the improvement of Franchising with sales of Euro 8.0 million (+47.4%). Sales in Russia, Spain and France were strong; a slight contraction was reported in Belgium, alongside a decline in Germany. This result rewards our international expansion strategy, executed also through the development of new markets.

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

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by Euro 9.2 million, or 10.4%, to Euro 78.7 million for the year ended December 31, 2016 from Euro 87.9 million for the year ended December 31, 2015. As a percentage of Twinset revenue, this line item decreased by 4.7 p.p. to 32.3% in 2016, from 37.0% in 2015.

The percentage decrease is principally due to a different mix of revenues, with an increased portion of Retail compared to total Twinset revenue.

€/000	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2016	2015		
Raw materials, supplementary materials, consumables and goods	80,416	86,193	(5,777)	(6.7%)
Change in inventories of raw materials, supplementary materials, consumables and goods	1,083	1,108	(25)	(2.3%)
Purchase of raw materials, goods and changes in inventory	**81,499**	**87,301**	**(5,802)**	**(6.6%)**
Change in work in progress, semi-finished and finished product inventories	(2,814)	559	(3,373)	>(100%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**78,684**	**87,860**	**(9,176)**	**(10.4%)**
% of Twinset Revenue	*32.3%*	*37.0%*	-	*(4.7%)*

Cost of services. Cost of services decreased by Euro 3.6 million, or 5.3%, to Euro 63.6 million for the year 2016, from Euro 67.1 million for the year 2015. As a percentage of Twinset revenue, cost of services decreased by 2.2 p.p. to 26.1% for the year 2016 from 28.3% for the year 2015.

The table below breaks down the costs of services for the year ended December 31, 2015 and 2016.

€/000	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2016	2015		
Agent commissions	13,134	15,509	(2,375)	(15.3%)
Marketing and advertising	11,260	10,307	953	9.2%
External works	8,962	12,950	(3,988)	(30.8%)
Logistics and transport	12,113	12,074	39	0.3%
Administrative	6,795	5,442	1,353	24.9%
Travelling expenses	1,303	1,238	65	5.3%
Insurance	1,089	1,344	(255)	(19.0%)
Other service costs	8,915	8,278	637	7.7%
Total cost of services	**63,571**	**67,142**	**(3,571)**	**(5.3%)**
% of Twinset Revenue	*26.1%*	*28.3%*		

The item totalled Euro 63.6 million (Euro 67.1 million in 2015).
"Agent commissions" decreased 15.3% from Euro 15.5 million in 2015 to Euro 13.1 million in 2016. "Marketing and advertising" expenses increased from Euro 10.3 million in 2015 to Euro 11.3 million in 2016, rising 9.2% and owing to the stepping up of marketing and communication in support of visibility and brand awareness both in Italy and overseas. The sub-item principally includes costs for the purchase of advertising pages, billboards, catalogues and pockets, photography shoots, public relations, franchising, consultancy, video production and events contributions and other advertising expenses.
The reduction in "External works" of Euro 4.0 million is principally due to the increased use of "outsourced products". The sub-item includes costs for ironing, textile cutting, embroidery, material application, packing and re-conditioning of clothing carried out by outsourced workers.
"Administrative" expenses increased Euro 1.4 million (+24.9%), principally due to the setting up of central administrative functions to support growth and the expansion of international retail sales. The sub-item mainly includes costs for legal and notary, tax, administrative and commercial consultancy and the remuneration of directors, statutory auditors and the audit firm. For a breakdown of these latter items, reference should be made to the section "Remuneration of Directors, Statutory Auditors and the Independent Audit Firm" below.
"Other service costs" of Euro 8.9 million (Euro 8.3 million in 2015), primarily relate to utilities (Euro 2.1 million), condominium expenses for stores and showrooms and cleaning expenses (Euro 1.3 million), bank expenses (Euro 1.3 million), maintenance costs (Euro 0.9 million), quality control costs (Euro 0.7 million), employee canteen expenses (Euro 0.5 million), sales representative expenses (Euro 0.3 million), stationary and printing costs (Euro 0.2 million) and hiring costs (Euro 0.1 million).

Rent. Rent increased by Euro 1.7 million, or 9.4%, to Euro 19.4 million for the year 2016 from Euro 17.8 million for the year 2015.
The increase in "Rent expenses for shop, outlet and showrooms" relates both to the 11 new openings of stores and outlets in 2016 (net of four closures), and the full year effect of store rental contracts signed in 2015.

The table below sets forth the breakdown of rent for the year ended December 31, 2015 and 2016.

€/000	For the year ended December 31,	For the year ended December 31,	Change	% Change
	2016	2015		
Rent expenses for shop, outlet and showrooms	17,669	16,097	1,572	9.8%
Rent expenses for headquarters	1,086	1,050	36	3.4%
Other rent expenses	668	609	59	9.7%
Total rent	**19,423**	**17,756**	**1,667**	**9.4%**
% of Twinset Revenue	*8.0%*	*7.5%*		

Personnel costs. Personnel costs increased by Euro 1.6 million, or 5.2%, to Euro 31.8 million for the year 2016 from Euro 30.2 million for the year 2015. As a percentage of Twinset revenue, personnel costs increased by 0.4 p.p. to 13.1% for the year ended December 31, 2016 from 12.7% for the year ended December 31, 2015. The percentage mainly relates to the increase of the number of employees, both for the Retail channel and headquarters.

The table below sets forth the breakdown of personnel costs for the year ended December 31, 2015 and 2016.

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015	Change	% Change
Wages and salaries	24,074	22,771	1,303	5.7%
Social security contribution	6,311	6,182	129	2.1%
Employee severance indemnities	1,347	1,274	73	5.7%
Other costs	59	-	59	100.0%
Total personnel costs	**31,791**	**30,227**	**1,564**	**5.2%**
% of Twinset Revenue	*13.1%*	*12.7%*		

The following table shows the breakdown between retail and corporate as of December 31, 2016:

Division	As of December 31, 2016	As of December 31, 2015	Change	% Change
Retail	504	484	20	4.1%
Corporate	343	344	(1)	(0.3%)
Total	**847**	**828**	**19**	**2.3%**

The table below set forth the breakdown by category as of December 31, 2016, compared to previous year:

Category	As of December 31, 2016	As of December 31, 2015	Change	% Change
Executives	8	8	-	-
Managers	20	18	2	11.1%
Clerical/Administrative staff	265	260	5	1.9%
Workers	50	58	(8)	(13.8%)
Total	**343**	**344**	**(1)**	**(0.3%)**

Amortization, depreciation and write-downs. Depreciation, amortization and write-downs decreased by Euro 0.8 million to Euro 24.5 million for the year ended December 31, 2016 from Euro 25.3 million for the year ended December 31, 2015.

Amortization and depreciation totaled Euro 23.7 million, of which Euro 20.6 million relates to amortization and Euro 3.1 million relates to depreciation. During the year indicators emerged of potential losses in value on the assets of some German stores and therefore the recoverable value was subject to an impairment test in accordance with OIC 9, recognizing write-downs as per Article 2427 of the Civil Code No. 3-bis of Euro 0.8 million.

The table below sets forth the breakdown of depreciation, amortization and write-downs for the year ended December 31, 2015 and 2016.

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015	Change	% Change
Amortization of intangible fixed assets	20,641	20,453	188	0.9%
Depreciation of tangible fixed assets	3,079	2,659	420	15.8%
Other fixed asset write-downs	803	2,188	(1,385)	(63.3%)
Total amortization, depreciation and write-downs	**24,523**	**25,300**	**(777)**	**(3.2%)**
% of Twinset Revenue	*10.1%*	*10.7%*		

Operating profit. Operating profit increased by Euro 8.5 million, to Euro 19.2 million for the year 2016 from Euro 10.7 million for the year 2015. As a percentage of Twinset revenue, operating profit increased by 3.4 p.p. to 7.9% for the year 2016 from 4.5 % for the year 2015.

Financial income/(expenses). Financial expenses decreased by Euro 1.5 million to Euro 14.7 million for the year 2016 from Euro 16.2 million for the year 2015.
Other Financial income refers to interest matured on current accounts. Interest and other financial expenses principally concerns interest accrued on the Bond Loan for Euro 9.6 million and interest accrued on the Shareholder loan for Euro 5.4 million.

The table below sets forth the breakdown of financial expenses for the year ended December 31, 2015 and 2016.

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015	Change	% Change
Other financial income	32	27	5	18.5%
Interest and other financial expenses	(15,501)	(15,134)	(367)	2.4%
Foreign exchange gains/(losses)	799	(1,063)	1,862	>(100%)
Total financial income/(expenses)	**(14,670)**	**(16,170)**	**1,500**	**(9.3%)**
% of Twinset Revenue	*(6.0%)*	*(6.8%)*		

Income tax. Income tax increased by Euro 3.0 million to Euro 7.9 million for the year 2016 from Euro 4.9 million for the year 2015 due to the better Result before taxes realized in the year.

Result for the year. The loss for the year is Euro 3.4 million for the year ended December 31, 2016 compared to a loss of Euro 10.4 million for the year ended December 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 Euro 150 million Senior Secured Floating Rate Notes (the “Notes”) and loans from shareholders.

As of December 31, 2016, our net financial indebtedness amounted to Euro 89.6 million compared to Euro 115.2 million as of December 31, 2015. As of December 31, 2016, we had cash and cash equivalents of Euro 62.2 million compared to Euro 39.0 million as of December 31, 2015.

CASH FLOW

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

€/000	For the year ended December 31, 2016	For the year ended December 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	46,579	26,130	20,449	78.3%
Cash flow provided by/(used in) investing activities	(12,338)	(7,368)	(4,970)	67.5%
Cash flow provided by/(used in) financing activities	(11,110)	(11,031)	(79)	0.7%
Cash flow from the period	**23,131**	**7,731**	**15,400**	**>100%**
Total net cash at the end of the period	**62,170**	**39,039**	**23,131**	**59.3%**

The cash flow generated in the year amounts to Euro 23.1 million thanks to strong operating cash generation of Euro 46.6 million, increasing Euro 20.4 million on the previous year.
This performance owes both to operating profits of Euro 42.0 million and the management of net working capital, as illustrated in the consolidated cash flow statement.

Cash flow absorbed from investing activities relates to capex for the development of the Retail channel, for the new headquarters and Showroom and technology investments.
Cash flow absorbed from financing activities in 2016 principally related to interest expenses paid on the bond, in line with the previous year.

CAPITAL EXPENDITURE

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

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015	Change	% Change
Expansion	5,128	4,638	490	10.6%
Maintenance	1,111	1,535	(424)	(27.6%)
Headquarter	5,705	1,244	4,461	>100%
Total capital expenditures (1)	**11,944**	**7,417**	**4,527**	**61.0%**

1- The amounts are net of the exchange rate effect on investments made by TS East (Euro 0.3 million in 2016 and Euro 0.1 million in 2015)

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 (7 Boutiques and 4 Outlets in 2016 compared to 6 Boutiques and 4 Outlets in 2015).

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

- **Headquarter:** mainly includes investments for the new headquarters (Euro 3.2 million for furniture and fittings and EDP), for the new Milan Showroom (Euro 0.8 million), for development projects - particularly IT (Euro 1.2 million) and for the acquisition of new machinery for our in-house Weaving facility (Euro 0.4 million) to improve knitwear production times and quality and other non-recurring investments.

OPERATING WORKING CAPITAL

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

€/000	For the year ended December 31, 2016	For the year ended December 31, 2015	Change	% Change
Inventory	53,061	57,470	(4,409)	(7.7%)
Trade Receivables	35,704	36,034	(330)	(0.9%)
Trade Payables	(48,699)	(42,866)	(5,833)	13.6%
Operating Working Capital	**40,066**	**50,638**	**(10,572)**	**(20.9%)**

Operating Working Capital (which represents the Net Working Capital gross of other current assets and liabilities) decreased by Euro 10.6 million at December 31, 2016.

Inventories, net of the obsolescence provision, decreased by Euro 4.4 million; the gross value decreased from Euro 72.4 million in 2015 to Euro 62.5 million in 2016. This improvement was possible thanks to improved incoming goods Supply Chain planning and the reduction in previous season inventory. This production chain improvement, in addition to a more efficient disposal of previous season inventory, also reduced the accrual to the obsolescence provision in 2016. Policies were also implemented for the disposal of old season stock, written down in previous years and resulting in a significant release from the provision.

Trade receivables reduced Euro 0.3 million; the gross value of receivables increased from Euro 45.4 million to Euro 46.1 million, substantially in line with the previous year and confirming the stability of the customer portfolio thanks to improved credit management; the doubtful debt provision increased from Euro 5.2 million to Euro 6.1 million, prudently in consideration of the still unstable economic environment both in Italy and Europe.

The increase in trade payables of Euro 5.8 million relates to the growth in Business volumes.

NET FINANCIAL INDEBTEDNESS

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

Net financial indebtedness (€/000)	As of December 31, 2016	As of December 31, 2015	Change	% Change
Cash and cash equivalents	62,170	39,039	23,131	59.3%
Bank overdrafts	(7)	(138)	131	(94.9%)
Total net cash	**62,163**	**38,901**	**23,262**	**59.8%**
Bank loans-current portion (1)	(1,721)	(4,065)	2,344	(57.7%)
Bank loans-non current portion	-	(78)	78	(100.0%)
Bank loans	**(1,721)**	**(4,143)**	**2,422**	**(58.5%)**
Bond	**(150,000)**	**(150,000)**	**-**	**-**
Net financial indebtedness (2)	**(89,558)**	**(115,242)**	**25,684**	**(22.3%)**
of which:				
Net financial indebtedness-current portion	*60,442*	*34,836*	*25,606*	73.5%
Net financial indebtedness-non-current portion	*(150,000)*	*(150,078)*	*78*	(0.1%)
Shareholder loan	**(80,519)**	**(75,170)**	**(5,349)**	**7.1%**

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

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

The net financial indebtedness as of December 31, 2016 totals Euro 89.6 million and comprises net cash including bank payables for current account overdrafts of Euro 62.2 million, increasing Euro 23.3 million on December 31, 2015 and financial debts of Euro 151.7 million, decreasing Euro 2.4 million on the previous year.

The net financial position improved thanks to strong operating cash generation of Euro 46.6 million, partially offset by investment activity absorption of Euro 12.3 million and from financing activities of Euro 11.1 million.

The payables mainly concern the Senior Bond Loan ("Bond") of a nominal Euro 150 million, with maturity of July 15, 2019 and quarterly interest indexed to the Euribor at 3 months plus a spread of 5.875%. The remaining financial payables of Euro 1.7 million relate to interest matured on the bond (classified as accrued expenses), the residual of an unsecured loan and the fair value of financial instruments undertaken by the Group to offset interest rate and currency rate movement risk.

The loan issued by the shareholder ("Shareholder Loan") with maturity on July 25, 2020, on which interest matures at 7% annually, as of December 31, 2016 amounted to Euro 80.5 million, including interest matured in the year.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding as of December 31, 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 Boutique/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,		
	2017-2020	2021 and thereafter	Total
Notes offered hereby	150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets [(1)]	55.0	33.6	88.6
Rent and operating leases commitments for Showroom [(1)]	1.5	0.4	1.9
Rent and operating leases commitments for Civil and Industrial Buildings [(1)]	4.6	4.5	9.1
Rent and operating leases commitments related to TS Shoes [(1)]	0.3	-	0.3
Total	**211.4**	**38.5**	**249.9**

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

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

Currency-related risk

The Euro is the functional currency used for the consolidated financial statements; however, the Twin Set group carries out operations in currencies other than the Euro, principally for the procurement of products from China and India, denominated in US Dollars, with an exposure therefore to currency risk. In order to mitigate the risk from currency rate fluctuation, the Group has put in place Flexible Forward derivative finance operations. As of December 31, 2016, the amount of derivatives in place totaled USD 42.5 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.

OUTLOOK

In 2017 the Company, despite the socio-political situation which remains difficult and unstable, will continue to implement a strategy aimed, on one hand to increase profits , and on the other hand, to rationalize costs.

In order to be more effective and consistent with the company's DNA on both the domestic and international markets, we are analyzing a renaming policy of the various collections. Furthermore we have implemented, in the Wholesale channel, a disintermediation activity of some areas in order to be closer to the market and clients' needs and to improve margins.

The development of the retail channel will be carried out with specific attention to new markets such as the USA and the Far East.

TWIN SET – SIMONA BARBIERI S.p.A.

Consolidated Financial Statements as of and for the year ended December 31, 2016

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016

€/000	As of December 31, 2016	As of December 31, 2015 [1]
Assets		
Intangible assets	228,804	242,441
of which goodwill	*172,324*	*183,409*
Property, plant and equipment	11,525	10,683
Other financial assets	1,256	1,130
Total intangible assets, PP&E and other financial assets	**241,585**	**254,254**
Inventories	53,061	57,470
Trade receivables	40,080	40,171
Tax receivables	4,272	3,748
Deferred tax assets	8,143	9,518
Other receivables	459	550
Financial derivative instruments	2,286	526
Cash and cash equivalents	62,170	39,039
Total current assets	**170,471**	**151,022**
Other accrued income and prepaid expenses	2,438	2,314
Total accrued income and prepaid expenses	**2,438**	**2,314**
Total assets	**414,494**	**407,590**

€/000	As of December 31, 2016	As of December 31, 2015 [1]
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,271	132,875
Retained earnings	(25,180)	(14,133)
Profit/(loss) for the period	(3,744)	(10,641)
Total Group Shareholders' equity	**105,868**	**108,623**
Equity attributable to non-controlling interests	369	495
Total Shareholders' equity	**106,237**	**109,118**
Liabilities		
Provisions for risks and charges	9,293	7,763
Financial derivative instruments	2,172	2,020
Deferred tax liabilities	6,112	6,552
Provisions for employee severance indemnities	572	710
Bonds	150,000	150,000
Shareholder loan	80,519	75,170
Bank loans	85	890
Client advances	1,927	1,441
Trade payables	48,812	42,992
Tax payables	1,508	3,394
Social security payables	1,243	1,263
Other payables	4,203	4,367
Accrued expenses and deferred income	1,811	1,910
Total liabilities	**308,257**	**298,472**
Total liabilities and shareholders' equity	**414,494**	**407,590**

[1] The amounts as of December 31, 2015 were reclassified for comparability with December 31, 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

€/000 Consolidated Income Statement	For the year ended December 31, 2016	For the year ended December 31, 2015 [1]
Revenue	245,612	243,522
Other income and internally generated assets	2,337	2,618
Change in work in progress, semifinished and finished product inventories	(2,814)	(559)
Total revenue and income	**245,135**	**245,581**
Purchase of raw materials, goods and changes in inventory	(81,499)	(87,301)
Cost of services	(63,571)	(67,142)
Rent	(19,423)	(17,756)
Personnel costs	(31,791)	(30,228)
Depreciation, Amortization and write-downs	(24,523)	(25,300)
Write-downs of trade receivables	(2,839)	(3,036)
Provisions	(52)	(1,353)
Other operating costs	(2,228)	(2,747)
Total operating costs	**(225,926)**	**(234,863)**
Operating profit	**19,209**	**10,718**
Financial income/(expenses)	(14,670)	(16,170)
Profit/(loss) before tax	**4,539**	**(5,452)**
Income tax	(7,935)	(4,955)
Profit/(loss) for the period	**(3,396)**	**(10,407)**
Attributable to the Group	*(3,744)*	*(10,641)*
Attributable to non-controlling interests	*348*	*234*

(1) The amounts as of December 31, 2015 were reclassified for comparability with December 31, 2016

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

(€/000)	Share capital	Share premium reserve	Legal reserve	Exchange reserve	Fair Value Reserve [1]	Translation reserve	Retained earnings/(losses) Twin Set SPA	Retained earnings/(losses) OTHERS	Profit/(loss) for the year	Total
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**(242)**	**31**	**-**	**(498)**	**(13,636)**	**120,218**
Allocation of 2014 result [(1)]	-	-	-	-		-	(7,197)	(6,439)	13,636	-
Dividend distribution	-	-	-	-		-	-	-	-	-
Result for the year 2015	-	-	-	-		-	-	-	(10,641)	(10,641)
Change to translation reserve	-	-	-	-		298	-	-	-	298
Change to consolidation reserve	-	-	-	-	(1,252)	-	-	-	-	(1,252)
As of December 31, 2015	**522**	**133,840**	**104**	**95**	**(1,494)**	**329**	**(7,197)**	**(6,937)**	**(10,641)**	**108,623**
Allocation of 2015 result [3]	-	-	-	-	-	-	(11,509)	869	10,640	-
Distribution of dividends	-	-	-	-	-	-	-	-	-	-
Result for the year 2016	-	-	-	-	-	-	-	-	(3,744)	(3,744)
Change to translation reserve	-	-	-	-	-	(213)	-	-	-	(213)
Change to consolidation reserve	-	-	-	-	-	-	-	(406)	-	(406)
Change in Fair Value	-	-	-	-	1,609	-	-	-	-	1,609
At 31/12/2016	**522**	**133,840**	**104**	**95**	**115**	**116**	**(18,706)**	**(6,474)**	**(3,745)**	**105,868**
Total Group Shareholders' equity										**105,868**
- Capital and reserves attributable to non-controlling interests										21
- Result for the year attributable to non-controlling interests										348
Total equity attributable to non-controlling interests										**369**
Total Shareholders' equity										**106,237**

1 - The amounts as of December 31, 2015 were reclassified for comparability with December 31, 2016

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

3 - as per Shareholder' Meet. of April 29, 2016

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

€/000	2016	2015 [1]
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	**(3,396)**	**(10,407)**
Income taxes	7,935	4,955
Amortization	20,641	20,454
Depreciation	3,079	2,659
Impairment of assets	803	2,188
Financial interest/(income)	15,469	15,107
Gains/losses of disposal	11	(16)
Loss on Tessitura Sidoti sale	574	-
Change in bad debt provision	849	622
Change in slow moving provision	(5,571)	5,914
Change in provision for risks and charges	1,531	3,111
Change in employee severance indemities	69	14
Cash flow from operating activities before changes in net working capital	**41,994**	**44,601**
Change in inventories	9,134	(4,106)
Change in trade receivables	(1,394)	2,793
Change in trade Payables	6,303	(13,001)
Change in client advance	665	2,115
Change in other payables/receivables	486	178
Change in suppliers advance	11	502
Change in net working capital	**15,206**	**(11,519)**
Income taxes paid	(10,621)	(6,952)
NET CASH FLOW FROM OPERATING ACTIVITIES	**46,579**	**26,130**
Net cash flow from investing activities		
Investment in intangible assets	(7,611)	(4,791)
Investments in property, plant and equipment	(4,606)	(2,626)
Disposal of assets	165	49
Consideration received for business combination	(286)	-
NET CASH FLOW FROM INVESTING ACTIVITIES	**(12,338)**	**(7,368)**
Net cash flow from financing activities		
Repayment of loans	(674)	(1,447)
Other changes in net equity	-	298
Dividend paid	(572)	-
Net financial interest paid	(9,952)	(9,723)
Bank overdraft	88	(159)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(11,110)**	**(11,031)**
NET CASH FLOW FOR THE PERIOD	**23,131**	**7,731**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**62,170**	**39,039**

[1] The amounts as of December 31, 2015 were reclassified for comparability with December 31, 2016

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TWIN SET – SIMONA BARBIERI S.p.A.

Explanatory Notes to the Consolidated Financial Statements as of and for the year ended December 31, 2016

Explanatory Notes

Structure and content of the financial statements

The consolidated financial statements at December 31, 2016 were prepared in accordance with the Civil Code, interpreted and supplemented by Italian GAAP and finally, where not available and not in conflict with Italian accounting standards and rules, those issued by the International Accounting Standard Board (I.A.S.B.).
They were prepared on a going concern basis as no significant uncertainties exist in this regard.

The consolidated financial statements at December 31, 2016 comprise the Balance Sheet, the Income Statement, the Cash Flow Statement (prepared in accordance respectively with Articles 2424, 2424 bis of the Civil Code, Articles 2425 and 2425 bis and Article 2425 ter of the Civil Code) and these Explanatory Notes.

The Notes provide the necessary disclosure and analysis - and in some cases supplement the Financial Statements - in addition to the disclosure required by Article 2427 and 2427 bis of the Civil Code and other applicable legislation. Additional information is also provided where deemed necessary to present a highly transparent and complete view, even if such disclosure is not required by specific legislation.
The Information relating to the Group activities, research and development activities and transactions with related parties are reported in the single Director's Report for the Consolidated and Statutory Financial Statements.
The amounts are expressed in units of Euro, except where otherwise stated.
No events subsequent to December 31, 2016 occurred so as to render the current financial position substantially different from the Balance Sheet presented at that date or to require adjustments or notes to the financial statements.
We report below the most significant events following year-end:

- January 1 ,2017 – Opening of the franchise in Ulan Bator (Mongolia), at the Shangri-la Mall;
- February 22, 2017 – Opening of the corner in Moscow (Russia), at Aviapark;
- February 27, 2017 – Opening of the franchise in Dnipropetrovsk (Ukraine), at the Cascade Plaza;
- March 1, 2017 – Communicated of right to withdrawal from rental contract for the headquarters at Via Siemens 4 Carpi (to be transferred to via Nuova Ponente n 40/a Carpi);
- March 6, 2017 – reopening of our in-house Weaving facility in via Nuova Ponente 40/a Carpi.
- March 18, 2017 – Opening of the Franchise in Wroclaw (Poland), at the Renoma Shopping Mall.

General information

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

The consolidated financial statements for the year ended December 31, 2016 report a Group net loss of Euro 3,744 thousand, after amortisation/depreciation and write-downs of Euro 27,362 thousand, net financial charges of Euro 15,500 thousand and income taxes of Euro 7,935 thousand, in relation to which reference should be made to the comments in this document and to the Directors' Report.
The additional information considered necessary to provide greater disclosure on the Group's results and financial position is reported in the cash flow statement.

Basis of preparation

The consolidated financial statements were prepared in accordance with Legislative Decree No. 127 of April 9, 1991, in compliance with the Civil Code, and with reference to the Legislative Provisions, interpreted and integrated by the accounting standards of the Italian Accountants Profession (Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili) reviewed by the Italian Accounting Organization (Organismo Italiano di Contabilità, O.I.C.).
The accounting policies adopted in the preparation of the consolidated financial statements are in accordance with the provisions of Articles 34 and 35 of Legislative Decree No. 127/1991 and correspond to the accounting principles adopted by the Parent Company; therefore, no adjustments or reclassifications were necessary.
The items reported in the financial statements have been stated in accordance with the general principles of prudence and accruals and in accordance with the going concern concept and taking account of the economic function of the assets and liabilities; account is also taken of risks and losses for the period even if known after the end of the period.

Based on the provisions of Article 2423, Paragraph 4, of the Civil Code, no exceptional cases arose in the year which would give rise to the application of statutory provisions which would be incompatible with a true and fair representation of the financial position and result of the Group.
Finally, there were no difficulties in relation to the identification of the reference date of the consolidated financial statements - December 31, 2016, financial year end of the Parent Company and the subsidiaries.

Financial Statement format

It should be noted that:

- the consolidated financial statements were prepared in units of Euro, without decimal amount; any differences arising from the presentation in the financial statements of the accounting values were allocated to a specific reserve for rounding of the balance sheet and to other revenues and other operating costs for rounding of the income statement, without any impact on the result for the year;
- the consolidated financial statements, prepared in compliance with the statutory rules applied to separate and consolidated financial statements, comprise the Balance Sheet, the Income Statement and the Cash Flow Statement (prepared respectively as per Articles 2424 and 2424 bis of the Civil Code, Articles 2425 and 2425 bis and 2425 ter of the Civil Code) and these Explanatory Notes.
- it was not considered necessary, for clarity of the consolidated financial statements, to regroup the account items in the balance sheet and in the income statement; these accounts were not further subdivided, nor was there a necessity to adjust them;
- no special circumstances have arisen requiring recourse to exceptions;
- the balance sheet and income statement accounts with zero balance for both years were not reported in the relative statements.

Comparative consolidated financial statements

The comparative year refers to the consolidated financial statements at December 31, 2015.

Consolidation area and basis of consolidation

Company	Country	Net Profit/(loss) (*)	Net Equity incl. Result (*)	Year-end	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	(8,619,170)	107,351,335	31/12/2016			
TESSITURA SIDOTI S.R.L.	Italy	1,943,784	4,598,034	31/12/2016	80%	1,476,941	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMI	Germany	(5,826,614)	(2,629,199)	31/12/2016	100%	1,859,979	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(2,076,976)	(956,036)	31/12/2016	100%	-	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(1,544,215)	(783,200)	31/12/2016	100%	-	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(2,067,935)	(592,443)	31/12/2016	100%	-	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.	Holland	93,850	581,375	31/12/2016	100%	3,284,659	Line-by-line
TS SIMONA BARBIERI EAST LLC (**)	Russia	4,400,819	13,627,346	31/12/2016	100%	-	Line-by-line

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

The consolidated financial statements of the TWINSET - Simona Barbieri Group includes the financial statements of the Parent Company TWINSET – Simona Barbieri S.p.A. and the financial statements of its subsidiaries as illustrated above.
The Group does not hold investments in associated companies; the non-current investments in other companies are consolidated under the cost method.
As previously outlined, on June 30, 2016, MO.DA Gioielli acquired 90% of Tessitura Sidoti from Twin Set Simona Barbieri S.p.A., to wholly-own the company.
Therefore, in accordance with the applicable accounting standards, the company Tessitura Sidoti was consolidated line-by-line in the consolidated income statement and was deconsolidated from June 30, 2016. The effects of the deconsolidation were recorded to the “Other operating costs” and “Interest and other financial expenses” accounts. Where significant, the effects of the deconsolidation on the individual financial statement items were included in a separate column “Changes in the consolidation scope”.

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

The consolidated financial statements are presented in Euro, which is the Parent Company's operational currency. Transactions in foreign currency are initially recorded at the exchange rate (referred to the operative currency) at the transaction date. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the balance sheet year-end date. All exchange differences are recognised in the income statement. Non-monetary items valued at historical cost in foreign currency are translated by using the exchange rates in effect on the date the transaction was first recorded. Revenues and costs are converted at the yearly average exchange rate which approximates the exchange rate at the date of the respective operations.
The exchange rates utilised for the conversion into Euro of financial statements in foreign currency of the company TS East (against Euro 1) are reported in the following table:

Currency	Average exchange rate 2016	Average exchange rate 2015	Year-end rate December 31, 2016	Year-end rate December 31, 2015
Ruble	74.144600	68.072032	64.300000	80.673600

Consolidation Principles

The accounting policies and principles adopted for the consolidated financial statements are in conformity the with legislative requirements (Legs. Decree 127/91) and the accounting principles issued by the Italian Accountants Profession Board (Consiglio Nazionale dei Dottori Commercialisti e Ragionieri), revised by the Italian Accounting Organization (Organismo Italiano di Contabilità, O.I.C.).
The accounting principles adopted for the preparation of the consolidated financial statements represent a true and fair view of the balance sheet and financial position of the Group and of the result for the year.
The subsidiaries are included in the consolidated financial statements from the date in which the Parent Company acquires control and are no longer consolidated from the date in which the Parent Company loses control.
The financial statements of companies included in the consolidated financial statements are consolidated on a line-by-line basis. This method includes all of the accounts that constitute the financial statements of the parent company and subsidiary companies, thus eliminating all inter-company receivables and payables between companies included in the consolidation as well as income and charges, including the elimination of inter-company profits and losses. The value of the investments included in the consolidation is also eliminated against the relative share of net equity.
The share of net equity and of the result for the period pertaining to minority shareholders are recorded respectively in a separate account in Shareholders' Equity "Capital and reserves attributable to non-controlling interests" and in the Income Statement in the account "Profit/(loss) attributable to non-controlling interests".

Consolidation adjustments

The accounting adjustments and consolidation adjustments are as follows:

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

Accounting policies

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

The section "Effects on the 2015 restated consolidated balance sheet and income statement" reports the effects from application of the new standards outlined above on the balance sheet and shareholders' equity items at January 1, 2016 and the balance sheet, income statement and cash flow statement for 2015, presented for comparative purposes.

The most significant accounting policies adopted for the preparation of the financial statements at December 31, 2016, in *accordance with Article 2426 of the Civil Code and the above-stated accounting standards, are described below:*

Fixed assets

Intangible assets

Intangible assets are recorded at purchase or production cost, increased by accesory charges and directly associated product costs, adjusted by the relative amortisation provision and increased by any monetary revaluations in accordance with law.

Intangible assets are recorded with the approval of the Board of Statutory Auditors in the cases established by law.

Start up and formation expenses are amortised over five years, with straight-line amortisation applied.

Advertising and research costs are entirely recognised to the period in which they are incurred.

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

Amortization

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

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

Property, plant and equipment

Property, plant and equipment are recorded at purchase price, including accessory costs directly attributable to the asset. In the determination of this cost, account is taken of improvement, restoration and modernization expenses. The purchase cost does not include interest on loans for the acquisition of assets.

Ordinary maintenance and repair costs are fully charged to the income statement. Incremental maintenance costs are attributed to the asset concerned and depreciated over the residual useful life of the asset.

In the event that, irrespective of the amortization already recorded, there is a permanent loss of value, the asset is derecognized; if in the subsequent years the assumptions of the write-down no longer exist, the original value of the asset is restored, adjusted only for depreciation.

Depreciation

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

PROPERTY, PLANT & EQUIPMENT	Rate %
Light constructions	10.0%
Plant and machinery	12.5%/duration of underlying contract (residual rental duration)
Industrial and commercial equipment	20%, 25%
EDP	20%, 33.3%
Furniture and fittings	10%, 12%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516.46 (for Italy)	100.0%

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

Financial assets

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

Current assets

Inventories

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

Receivables

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

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

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

Receivables from factoring, with no draw back options, are eliminated from the Balance Sheet.

Cash and cash equivalents

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

Prepayments and accruals

Prepayments and accruals include the costs and revenues accruing in the year but due in subsequent years.

Provisions for risks and charges

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

Employee severance indemnities

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

Payables

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

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

Derivative financial instruments

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

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

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

When the hedged derivatives cover the risk of a change in the fair value of the instruments hedged (**fair value hedge**), these are recorded at fair value through the income statement; therefore, the hedged items are adjusted to reflect the changes in fair value associated with the risk covered.
Where derivatives hedge a risk of changes in future cash flows of the hedged instrument (**cash flow hedge**), the effective portion of profits or losses of the derivative financial instrument are suspended to net equity. The ineffective portion of the profits and losses associated with a hedge are recognised to the income statement. When the related transaction is realized, the accumulated gains and losses that have been recorded to equity are recognized in the income statement (to adjust or supplement the income statement accounts affected by the hedged cash flows). The Company applies hedge accounting to cover the fluctuation of cash flows due to exchange rates and interest rates.

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

- income statement in the case of the hedging of the fair value of an asset or liability recognised to the financial statements and the changes to the fair value of hedged instruments (if the change to the fair value of the hedged item is greater in absolute value terms than the change in the fair value of the hedging instrument, the difference is recognised to the income statement account to which the hedged item relates);

- a separate net equity reserve ("Reserve for future cash flow hedging operations") in the case of the hedging of cash flows in a manner which offsets the effects of the cash flows hedged (the ineffective component, in addition to the change in the time value of options and forwards, is classified to the income statement).

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 related to future periods.

Revenue and costs

Costs and revenues are recognized based on the accruals principle, independently of the receipt or payment date, net of returns (also through the recording of a provision under liabilities), allowances and bonuses. Related party transactions are carried out at normal market conditions.

Dividends

Dividends are recognised in the year in which they are approved. They are recorded as financial income independently of the nature of the distributable reserves.

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.

The parent company Twin Set – Simona Barbieri S.p.A. acts as the consolidating company and calculates a single assessable base for the Italian Group companies adhering to the tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration. The company took part in the Twin Set Shoes S.r.l. tax consolidation at December 31, 2016.

The companies involved in the tax consolidation transfer to the consolidating company its assessable income (assessable income or tax loss); the consolidating company recognises a receivable equal to the IRES to be paid (the consolidated company recognises a payable to the consolidating company).

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 December 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. Any net gain from the translation of the foreign currency amounts, deriving from the valuation at period-end and recorded in the income statement, is recorded in a specific non-distributable reserve until the gain is realized. Revenues and costs are converted at the average exchange rate which approximates the exchange rate at the date of the respective operations.

Use of estimates

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

Reconciliation between net equity at December 31, 2015 according to previous Italian GAAP and that at January 1, 2016 according to new Italian GAAP

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

in Euro	01/01/2015	Result 2015	Reserve for hedging operations (FV)	Other net equity movements	31/12/2015 restated / 01/01/2016 as per new standards
2015 Net Equity as per previous Italian GAAP	**120,459,620**	**(10,640,474)**	**-**	**298,353**	**110,117,499**
Fair Value Changes	-	-	(1,494,332)		(1,494,332)
2015 Net Equity as per new Italian GAAP	**120,459,620**	**(10,640,474)**	**(1,494,332)**	**298,353**	**108,623,167**

The fair value of derivatives should be recognised by the Group to the balance sheet. This had a negative impact on Net Equity at January 1, 2016 of Euro 1,494 thousand.

Effects on the restated 2015 balance sheet and income statement

Supplementing the reconciliation of net equity at January 1, 2016, together with the comments on the adjustments made to the balances according to the new Italian GAAP, the restatement of the balance sheet at December 31, 2015 and the 2015 income statement are attached which indicate for each item in separate columns:

- the balances at December 31, 2015;
- the reclassified amounts due to the different presentation rules under the new Italian GAAP;
- the adjusted amounts following application of the new Italian GAAP;
- the final balances restated according to the new Italian GAAP.

For comments upon the adjustments to the balance sheet and the income statement, reference should be made to the corresponding notes above. For the reclassifications, we highlight that following the elimination of the section concerning extraordinary positive and negative income components, the Group restated extraordinary income of Euro 38 thousand to “Other revenues”; extraordinary charges of Euro 248 thousand to “Other operating costs” and for Euro 36 thousand to “Income taxes concerning prior years”. Following the elimination of the section, “Discounts on the bond loan” and “Other prepayments and accrued income” were reclassified under assets in the Balance Sheet.

Approved 2015 Consolidated Balance Sheet vs restated

in Euro	31/12/2015 approved	Reclassifications	Adjustments	31/12/2015 restated
ASSETS				
B. FIXED ASSETS				
B.I INTANGIBLE FIXED ASSETS				
B.I.1 Start up and formation expenses	582,801	-	-	582,801
B.I.3 Industrial patents and intellectual property rights	4,147,091	-	-	4,147,091
B.I.4 Concessions, licenses, trademarks and similar rights	24,429,313	-	-	24,429,313
B.I.5 Goodwill	183,409,428	-	-	183,409,428
B.I.6 Assets in progress & advances	389,265	-	-	389,265
B.I.7 Other intangible assets	29,482,857	-	-	29,482,857
TOTAL INTANGIBLE FIXED ASSETS	**242,440,755**	-	-	**242,440,755**
B.II PROPERTY, PLANT & EQUIPMENT				
B.II.1 Land and buildings	18,764	-	-	18,764
B.II.2 Plant and machinery	5,031,294	-	-	5,031,294
B.II.3 Industrial and commercial equipment	322,021	-	-	322,021
B.II.4 Other tangible assets	5,311,139	-	-	5,311,139
B.II.5 Construction in progress and advances	-	-	-	-
Total PROPERTY, PLANT & EQUIPMENT	**10,683,218**	-	-	**10,683,218**
B.III FINANCIAL FIXED ASSETS				
B.III.1 Investments:	5	-	-	5
B.III.1.d Investments in other companies	5	-	-	5
B.III.2.d Other receivables	1,129,984	-	-	1,129,984
due within one year	-			-
due beyond one year	*1,129,984*			*1,129,984*
Total FINANCIAL FIXED ASSETS	**1,129,989**	-	-	**1,129,989**
TOTAL FIXED ASSETS	**254,253,962**	-	-	**254,253,962**
C. CURRENT ASSETS				
C.I INVENTORIES				
C.I.1 Raw materials, ancillary and consumables	3,647,546	-	-	3,647,546
C.I.2 Work in progress and semi-finished products	2,606,736	-	-	2,606,736
C.I.4 Finished goods	51,215,407	-	-	51,215,407
Total INVENTORIES	**57,469,689**	-	-	**57,469,689**
C.II CURRENT RECEIVABLES				
C.II.1 Trade receivables	40,171,495	-	-	40,171,495
C.II.4-bis Tax receivables	3,748,290	-	-	3,748,290
C.II.4-ter Deferred tax assets	9,518,339	-	-	9,518,339
due within one year	*4,209,691*			*4,209,691*
due beyond one year	*5,308,648*			*5,308,648*
C.II.5 Other receivables	550,053	-	-	550,053
due within one year	*550,053*			*550,053*
due beyond one year	-			-
Total CURRENT RECEIVABLES	**53,988,177**	-	-	**53,988,177**
C.III FINANCIAL ASSETS NOT HELD AS FIXED ASSETS	-	-		
C.III.5. – Derivative financial instruments - Assets	-	-	**525,587**	**525,587**
Total CURRENT FINANCIAL ASSETS	-	-	**525,587**	**525,587**
C.IV CASH AND CASH EQUIVALENTS				
C.IV.1 Bank and postal accounts	38,805,765	-	-	38,805,765
C.IV.2 Cheques	-	-	-	-
C.IV.3 Cash on hand	233,320	-	-	233,320
TOTAL CASH AND CASH EQUIVALENTS	**39,039,085**	-	-	**39,039,085**
TOTAL CURRENT ASSETS	**150,496,951**	-	**525,587**	**151,022,538**
D ACCRUED INCOME AND PREPAID EXPENSES				
D.II Other accrued income and prepaid expenses	1,247,248	1,066,265	-	2,313,513
D.III Discount on bond loan	1,066,265	(1,066,265)	-	-
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**2,313,513**	-	-	**2,313,513**
TOTAL ASSETS	**407,064,426**	-	**525,587**	**407,590,013**

in Euro	31/12/2015	Reclassifications	Adjustments	31/12/2015 restated
LIABILITIES				
A. SHAREHOLDERS' EQUITY				
A.I Share capital	522,400	-	-	522,400
A.II Share premium reserve	133,840,149	-	-	133,840,149
A.IV Legal reserve	104,480	-	-	104,480
A.VII Other reserve:	424,741	-	-	424,741
Exchange gains reserve	*95,055*			*95,055*
Translation reserve	*329,686*			*329,686*
A.VII Reserve for cash flow hedging operations	-	-	(1,494,332)	(1,494,332)
A.VIII Retained earnings/(accumulated losses)	(14,133,797)	-	-	(14,133,797)
A.IX Profit (loss) for the year	(10,640,474)	-	-	(10,640,474)
TOTAL GROUP SHAREHOLDERS' EQUITY	**110,117,499**	**-**	**(1,494,332)**	**108,623,167**
Non-controlling Interests				
- Capital and reserves attributable to non-controlling interests	*261,011*	-	-	*261,011*
- Profit/(loss) attributable to non-controlling interests	*233,766*	-	-	*233,766*
TOTAL SHAREHOLDERS' EQUITY ATTRIB. TO NON-CONTROLLING INTERESTS	**494,777**	**-**	**-**	**494,777**
TOTAL SHAREHOLDERS' EQUITY	**110,612,276**	**-**	**(1,494,332)**	**109,117,944**
B. PROVISIONS FOR RISKS AND CHARGES				
B.1 Provision for pensions and similar obligations	4,432,216	-	-	4,432,216
B.2 Provision for taxation, including deferred tax liabilities	6,551,536	-	-	6,551,536
B.3 Derivative financial instruments - liabilities	-	-	2,019,919	2,019,919
B.4 Other provisions	3,330,957	-	-	3,330,957
TOTAL PROVISIONS FOR RISKS AND CHARGES	**14,314,709**	**-**	**2,019,919**	**16,334,628**
C. PROVISIONS FOR EMPLOYEE SEVERANCE INDEMNITIES	**710,186**	**-**	**-**	**710,186**
D. PAYABLES				
D.1 Bonds	150,000,000	-	-	150,000,000
D.3 Shareholder loan	75,169,816	-	-	75,169,816
due within one year	-		-	-
due beyond one year	*75,169,816*			*75,169,816*
D.4 Bank loans	890,065	-	-	890,065
due within one year	*811,922*			*811,922*
due beyond one year	*78,143*			*78,143*
D.6 Advances	1,440,815	-	-	1,440,815
D.7 Trade payables	42,992,236	-	-	42,992,236
D.12 Tax payables	3,393,573	-	-	3,393,573
D.13 Social security payables	1,262,871	-	-	1,262,871
D.14 Other payables	4,367,588	-	-	4,367,588
TOTAL PAYABLES	**279,516,964**	**-**	**-**	**279,516,964**
& ACCRUED EXPENSES AND DEFERRED INCOME				
E.II Other accrued expenses and deferred income	1,910,291	-	-	1,910,291
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**1,910,291**	**-**	**-**	**1,910,291**
TOTAL LIABILITIES	**407,064,426**	**-**	**525,587**	**407,590,013**

Approved 2015 Consolidated Income Statement vs restated

in Euro	2015 approved	Reclassifications	2015 restated
A. VALUE OF PRODUCTION			
A.1 Revenues from sales and services	**243,522,362**	**-**	**243,522,362**
A.2 Change in work in progress, semi-finished and finished products inventories	**(559,094)**	**-**	**(559,094)**
A.4 Internally produced fixed assets	**329,426**	**-**	**329,426**
A.5 Other revenues and income	**2,250,775**	**37,565**	**2,288,340**
A.5.b Revenues and other income	2,250,775	37,565	2,288,340
TOTAL VALUE OF PRODUCTION	**245,543,469**	**37,565**	**245,581,034**
B. COSTS OF PRODUCTION			
B.6 Raw materials, ancillary, consumables and goods	**86,193,458**	**-**	**86,193,458**
B.7 Services	**67,141,697**	**-**	**67,141,697**
B.8 Rent, lease & similar	**17,755,697**	**-**	**17,755,697**
B.9 Personnel costs	**30,227,596**	**-**	**30,227,596**
B.9.a Salaries and wages	22,771,378	-	22,771,378
B.9.b Social security contributions	6,182,090	-	6,182,090
B.9.c Employee severance indemnities	1,274,128	-	1,274,128
B.9.e Other personnel costs	-	-	-
B.10 Amortisation, depreciation and write-downs	**28,336,503**	**-**	**28,336,503**
B.10.a Amortisation of intangible fixed assets	20,453,490	-	20,453,490
B.10.b Depreciation of tangible fixed assets	2,658,579	-	2,658,579
B.10.c Other fixed asset write-downs	2,188,075	-	2,188,075
B.10.d Write-down of current and liquid assets	3,036,359	-	3,036,359
B.11 Change in raw materials, ancillary, consumables and goods	**1,107,980**	**-**	**1,107,980**
B.12 Provisions for risks	**1,352,941**	**-**	**1,352,941**
B.14 Other operating costs	**2,498,814**	**247,535**	**2,746,349**
TOTAL COSTS OF PRODUCTION	**234,614,686**	**247,535**	**234,862,221**
Difference between value and costs of production	**10,928,783**	**(209,970)**	**10,718,813**
C. FINANCIAL INCOME AND CHARGES			
C.16 Other financial income	**27,277**	**-**	**27,277**
C.16.d Other financial income	27,277	-	27,277
C.16.d.4 Financial income from investments in other companies	*27,277*	*-*	*27,277*
C.17 Interest and other financial charges	**(15,134,582)**	**-**	**(15,134,582)**
C.17.d Interest and other financial charges	(15,134,582)	-	(15,134,582)
C.17-bis Exchange gains and losses	**(1,063,025)**	**-**	**(1,063,025)**
TOTAL FINANCIAL INCOME AND CHARGES	**(16,170,330)**	**-**	**(16,170,330)**
D. ADJUSTMENTS TO FINANCIAL ASSETS			
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	**-**	**-**	**-**
E. EXTRAORDINARY INCOME AND CHARGES			
E.20 Extraordinary income	**37,565**	**(37,565)**	**-**
E.20.b Other extraordinary income	37,565	(37,565)	-
E.21 Extraordinary charges	**(283,948)**	**283,948**	**-**
E.21.b Taxes relating to prior years	(36,413)	36,413	-
E.21.c Others extraordinary charges	(247,535)	247,535	-
TOTAL EXTRAORDINARY INCOME AND CHARGES	**(246,383)**	**246,383**	**-**
Profit/(loss) before taxes	**(5,487,930)**	**36,413**	**(5,451,517)**
20 Income taxes	**(4,918,778)**	**(36,413)**	**(4,955,191)**
20.a Current taxes for the year	(7,856,792)	-	(7,856,792)
20.b Prior year taxes	-	(36,413)	(36,413)
20.c Deferred tax income	769,619	-	769,619
20.d Deferred tax charge	2,168,395	-	2,168,395
23 Profit/(loss) for the year	**(10,406,708)**	**-**	**(10,406,708)**
Profit attributable to non-controlling int.	**233,766**	**-**	**233,766**
Group Net Profit/(loss)	**(10,640,474)**	**-**	**(10,640,474)**

Comments on the Asset and Liability Items

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

Assets

There are no financial charges posted to assets accounts in the Balance Sheet for the current year.

Fixed assets

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

Intangible assets

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

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

ACCOUNT	31/12/2015			Changes in the year						Change in consolidation area		31/12/2016			
in Euro	Historic cost 31/12/2015	Acc. amort. 31/12/2015	NBV 31/12/2015	Acquisitions 2015	Reclass. 2015	Decreases Historic cost	Decreases Acc. amort.	Decreases Write-downs	Amortisation 2016	Historic cost	Acc. deprec.	Exc. diffs. 2016	Historic cost 31/12/2016	Acc. amort. 31/12/2016	NBV 31/12/2016
Start up and formation expenses	1,379,029	(796,228)	582,801	16,630	-	-	-	-	(308,913)	(76,692)	66,208	-	1,318,967	(1,038,933)	280,034
Industrial patents and intellectual property	7,995,317	(3,848,226)	4,147,091	1,162,671	296,161	-	-	(2,929)	(1,663,442)	-	-	729	9,454,878	(5,514,597)	3,940,281
Concessions, licenses, trademarks & similar rights	29,424,480	(4,995,167)	24,429,313	92,250	-	-	-	-	(1,587,092)	-	-	-	29,516,730	(6,582,259)	22,934,471
Goodwill	218,462,713	(35,053,285)	183,409,428	1,000,000	-	-	-	-	(11,952,479)	(164,800)	32,045	-	219,297,913	(46,973,719)	172,324,194
Assets in progress and advances	389,265	-	389,265	823,093	(387,667)	-	-	-	-	-	-	-	824,691	-	824,691
Other intangible assets	43,294,299	(13,811,442)	29,482,857	4,362,841	91,506	(33,575)	33,569	(457,763)	(5,128,889)	(8,441)	5,588	152,477	47,859,107	(19,358,937)	28,500,170
Total intangible assets	**300,945,103**	**(58,504,348)**	**242,440,755**	**7,457,485**	**-**	**(33,575)**	**33,569**	**(460,692)**	**(20,640,815)**			**153,206**	**308,272,286**	**(79,468,445)**	**228,803,841**

The start up and formation expenses include incorporation expenses and formation expenses incurred by the Parent Company and its subsidiaries.
These expenses increased in the year by Euro 17 thousand, due to costs incurred by the overseas subsidiaries (TS France, TS Belgium and TS Spain) for share capital increases.

Industrial patents and intellectual property rights includes the costs for software licenses for indefinite use, principally held by the Parent Company.
The increases and reclassifications totalling Euro 1,459 thousand refer principally for Euro 367 thousand to costs incurred for the Online Shopping project (of which Euro 261 thousand concerning the replacement of our custom e-commerce platform), for Euro 242 thousand to consultancy and installation for the Oracle JDE and Hyperion operating systems, for Euro 191 thousand to costs incurred for IT consultancy, principally for the development of the MPsoft operating system, Euro 99 thousand for implementation of the "Supply Chain" project involving the activation of an e-Procurement web application for the sharing of a range of information with suppliers of finished products (including orders, expected delivery dates, state of production data, quality inspections during production and before shipping, the return of goods to the transporter and the delivery company in Italy), Euro 77 thousand to costs incurred for installation of the "PLM" software for the management of product technical information (the first phase of the project consisted of the installation of the basic functionalities and an initial product technical sheet was completed in 2014; the second phase concerned the development of the software modules to support the "costing and pricing" process concluded in 2015, with the third phase concerning the development of the Tex Define and Inspection Reports concluding in 2016), for Euro 176 thousand the introduction of an iPad application for the collection of orders by agents and by sales personnel of the owned Show Rooms: the project includes the activation of applications for the management of budgets/targets for each client, sales campaign appointments and client datasheets.

"Concessions licenses, trademarks and similar rights" reflects at period-end the net book value of the brand held by the Parent Company – "TWINSET Simona Barbieri" - in addition to minor brands, principally "SCEE" and "Girl", in relation to which the Parent Company made investments – Euro 92 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 "TWINSET 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 of an experts' opinion, the monetary revaluation of the above-mentioned brand, as permitted by Law 266/05 for Euro 1 million; consequently, in accordance with Article 10 of Law No. 72 of March 19, 1983 and in accordance with subsequent laws on monetary revaluation and for a better understanding of the changes in the cost of this trademark, we summarize the movements below:

Description	Initial historical cost	Revaluation Law 266/2005	Cumulative increases	Allocation of merger deficit	Historical cost at 31/12/2016
"Twinset - Simona Barbieri" trademark	8,071	1,000,000	364,704	27,380,297	28,753,072

The item includes in addition the know-how acquired from the TS Shoes conferment in 2014, which at December 3, 2016 had a residual value of Euro 309 thousand.

Goodwill totalled at December 31, 2016 Euro 172,324 and includes for Euro 162,814 thousand Parent Company goodwill recorded, as the residual amount, following the allocation of the merger deficit arising from the merger operation, relating to the Company and amortized on a straight-line basis over twenty years. This also includes costs incurred by the Parent Company and by TS France (totalling Euro 8,841 thousand) with reference to the commercial goodwill acquired within the Retail development. The residual part concerns the goodwill of the subsidiary TS Shoes (Euro 669 thousand).
The increase in the year of Euro 1,000 thousand relates to the goodwill paid by the Parent Company for the new Boutique in Milan Buenos Aires.
The decrease in the year of Euro 133 thousand relates to the deconsolidation of Tessitura Sidoti.

Intangible assets in progress and advances total Euro 825 thousand and exclusively comprise assets of the Parent Company and specifically: Euro 500 thousand for costs incurred for the new Venice Boutique, whose opening is scheduled for the beginning of April 2017, Euro 182 thousand for costs relating to IT projects concluding in 2017, Euro 111 thousand for costs incurred for the canteen expansion and Factory Outlet at the new headquarters, Euro 32 thousand for costs incurred for a number of Shopping Online projects.

Other intangible assets amount to Euro 28,500 thousand and principally comprise leasehold improvements (for a total of Euro 10,006 thousand), of which: Euro 6,686 thousand concerning the Parent Company, Euro 1,386 thousand concerning TS Spain, Euro 693 thousand concerning TS France, Euro 615 thousand concerning TS Belgium and Euro 626 thousand concerning TS East, in addition to deferred costs incurred for the acquisition of rental contracts and accessory charges for strategic stores (for a total of Euro 15,163 thousand, of which: Euro 7,979 thousand concerning the Parent Company, Euro 2,697 thousand concerning TS Deutschland, Euro 1,956 thousand concerning TS France, Euro 1,394 thousand concerning TS Spain, Euro 1,001 thousand concerning TS Belgium and Euro 136 thousand concerning TS East) and costs incurred by the Parent Company following the issue of the Bond (Euro 3,143 thousand).
The increases and reclassifications of Euro 4,454 thousand principally relate to costs incurred in 2016 by the Parent Company for the opening of the new headquarters (Euro 2,230 thousand), for the new sales points in Genoa, Milan Buenos Aires, Taormina, Naples Filangeri and Seregno (for a total of Euro 806 thousand) and for the opening of the new Milan Show Room (Euro 306 thousand). In addition, investments were undertaken by TS France for the opening of the Cannes and Galeries Lafayette Boutiques (Euro 386 thousand), by TS Belgium for the opening of the Ghent Boutique (Euro 189 thousand), by TS Spain, principally for the opening of the Madrid Boutique (Euro 167 thousand) and by TS East, principally for the opening of Vnukovo Outlet (Euro 107 thousand).
The decreases in the year mainly related to the closure of the Soratte Outlet (reopened at the Fiano Romano Outlet), of the Milano Centrale store, a temporary store opened for the Milan Expo and closed in May 2016 following its conclusion.

Property, plant and equipment

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

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

ACCOUNT	31/12/2015			Changes in the year						Change in consolidation area		31/12/2015			
in Euro	Historic cost	Acc. deprec.	NBV	Acquisitions	Reclass.	Decreases			Depreciation			Exc. diffs.	Historic cost	Acc. deprec.	NBV
	31/12/2015	31/12/2015	31/12/2015	2016	2016	Historic cost	Acc. deprec.	Write-downs	2016	Historic cost	Acc. deprec.	2016	31/12/2016	31/12/2016	31/12/2016
Land and buildings	29,881	(11,117)	18,764	14,000	-	-	-	-	(2,929)	(22,918)	6,869	-	20,963	(7,177)	13,786
Plant and machinery	14,087,804	(9,056,510)	5,031,294	1,951,158	-	(1,193,557)	1,190,811	(192,303)	(1,000,332)	(192,281)	71,815	-	14,653,124	(8,986,519)	5,666,605
Industrial and commercial equipment	1,394,148	(1,072,127)	322,021	414,699	-	(147,055)	128,804	(5,099)	(453,087)	(17,206)	13,364	-	1,644,586	(1,388,145)	256,441
Other tangible assets	10,857,032	(5,545,893)	5,311,139	2,076,367	-	(240,552)	86,282	(145,791)	(1,622,767)	(62,263)	35,839	119,219	12,749,803	(7,192,330)	5,557,473
Construction in progress and advances	-	-	-	30,783	-	-	-	-	-	-	-	-	30,783	-	30,783
Total property, plant and equipment	**26,368,865**	**(15,685,647)**	**10,683,218**	**4,487,007**	**-**	**(1,581,164)**	**1,405,897**	**(343,193)**	**(3,079,115)**	**(294,668)**	**127,887**	**119,219**	**29,099,259**	**(17,574,171)**	**11,525,088**

Land and buildings amounted to Euro 14 thousand and concern Parent Company light constructions, net of depreciation.

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, hat and shoe production machinery.
The increases in the year of Euro 1,951 thousand concern investments by the Parent Company (Euro 1,505 thousand) and its subsidiaries (Euro 446 thousand), principally for the installation of electric power systems, lighting and video-surveillance systems at the new stores and Outlets opened in the year and mainly those in Genoa, Taormina, Fiano Romano Outlet, Naples Filangeri, Milan Buenos Aires, Noventa Outlet, Cannes, Ghent and Madrid, the new Show Room in Milan and the new Parent Company headquarters. In addition, investments were made in new machinery for the

Weaving facility (Euro 386 thousand) to improve the production time and quality of knitwear.
The decreases in the year mainly concern the sale of obsolete machinery at the Weaving facility.

Industrial and commercial equipment amounted to Euro 256 thousand and principally includes equipment for the ironing, moulds and cutting tools section and commercial equipment at the various stores and outlets managed directly.
The increases in the year totalling Euro 415 thousand (of which Euro 192 thousand concerning the Parent Company) related principally to the acquisition of equipment for the new stores opened in the year (Euro 97 thousand), for the headquarters and showroom (for total of Euro 83 thousand) and for existing stores (Euro 38 thousand). The residual part of the increases concern the subsidiary TS Shoes (for Euro 197 thousand), principally for the purchase of moulds and cutting tools.
The decreases in the year concern for Euro 74 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 5,557 thousand and principally concern office and factory furniture and fittings, furniture and fittings for the various directly managed stores and outlets, EDP and transport and motor vehicles.
The increases in the year of Euro 2,076 thousand concerned the purchase of furniture and fittings and EDP for the new Parent Company headquarters (Euro 896 thousand), for the new Milan Show Room (Euro 103 thousand), for the stores and Outlets opened in the year (Euro 790 thousand), for the existing show rooms (Euro 125 thousand) and ordinary operating assets (Euro 162 thousand).
The decreases in the year mainly related to goods given as gifts, sold or disposed of due to obsolescence and the closure of the Soratte Outlet and the Milano Centrale store.

The disposals and restyling in the year resulted in losses totalling Euro 88 thousand, recognised to other operating charges, and gains of Euro 78 thousand recognised to other revenue and income.

Finance leases

There are no finance lease contracts.

IMPAIRMENTS

Depreciation and amortization (including of goodwill) was carried out on a straight-line basis, as previously outlined. In relation to the assessment of the recoverable value of Goodwill, the Group's financial results for the year, the present outlook and the relative parameters confirmed the valuations and assumptions of the impairment test carried out at December 31, 2015. Group management therefore, considering the inexistence of indicators of any impairment to Goodwill, did not carry out a Group level impairment test, applying the results of the test carried out in the previous year which did not indicate any write-down of Goodwill. During the year however, an analysis was carried out of the recoverability of the value of the fixed assets of a number of overseas Group companies, which highlighted indicators of potential impairment following the under-performance of some overseas stores.
Therefore, in accordance with OIC 9, the value in use of the assets was established through the discounting of future cash flows according to the 2017 budget of the overseas companies - upon which projections for the years 2018-2020 were thereafter made - approved by the BoD on January 27, 2017.
Specifically, the impairment tests were carried out on the companies Twin Set Simona Barbieri Deutschland GmbH, Twin Set Belgium BVBA and Twin Set Simona Barbieri France SASU. The discount rates (WACC post tax) were respectively 6.57%, 6.85% and 6.86%, while the growth rate established for the calculation of the terminal value considered the GDP growth rate of the individual countries.
Following such analysis, write-downs were made on a number of assets of the German subsidiary for a total of Euro 803 thousand, of which Euro 461 thousand concerning intangible assets and Euro 342 thousand tangible assets.

Financial fixed assets

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

in Euro	31/12/2015				Changes in the year		31/12/2016			
FINANCIAL FIXED ASSETS	**Cost**	**Reval.**	**Write-downs**	**NBV**	**Increases**	**Decreases**	**Cost**	**Reval.**	**Write-downs**	**NBV**
Investments in	-			-			-			-
- Other companies	5	-	-	5	20	-	25	-	-	25
Receivables	-			-			-			-
- Other	-	-	-	-	-		-	-	-	-
- Other guarantee deposits	1,129,984	-	-	1,129,984	172,619	(46,283)	1,256,320	-	-	1,256,320
Total Financial Fixed Assets	**1,129,989**	**-**	**-**	**1,129,989**	**172,639**	**(46,283)**	**1,256,345**	**-**	**-**	**1,256,345**

Rental deposits at December 31, 2016 totalled Euro 1,256 thousand, of which Euro 525 thousand concerning the Parent Company, Euro 363 thousand concerning TS Spain, Euro 203 thousand concerning TS East, Euro 162 thousand concerning TS France and Euro 3 thousand concerning TS Belgium.

The investments in other companies for Euro 25 refer to the holding of the Parent Company and the subsidiary Twin Set Shoes in the CONAI consortium.
There are no investments in companies resulting in an unlimited responsibility for commitments undertaken (Article 2361 of the Civil Code).

FAIR VALUE OF FINANCIAL INVESTMENTS, OTHER THAN INVESTMENTS IN SUBSIDIARIES

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

Current Assets

Inventories

The changes in inventories are shown in the table below:

In Euro	31/12/2016	31/12/2015	Changes
Raw materials, ancillary and consumables	3,002,958	3,647,546	(644,588)
Work in progress and semi-finished products	1,326,722	2,606,736	(1,280,014)
Finished goods	48,731,433	51,215,407	(2,483,974)
Total	**53,061,113**	**57,469,689**	**(4,408,576)**

In Euro	31/12/2015	Provisions	Utilisations/releases	31/12/2016
Raw material obsolescence provision	(2,665,118)	(448,834)	368,165	(2,745,787)
Semi-finished products obsolescence provision	-	-	-	-
Finished goods obsolescence provision	(12,303,760)	(3,800,452)	9,452,279	(6,651,933)
Total	**(14,968,878)**	**(4,249,286)**	**9,820,444**	**(9,397,720)**

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

- raw materials, ancillary and consumables of Euro 3,003 thousand, net of the obsolescence provision of Euro 2,746 thousand (Euro 2,665 thousand at December, 31 2015), relating to yarns, textiles, accessories, hides and glues;
- work in progress and semi-finished products, amounting to Euro 1,327 thousand, referring to clothing and footwear in production not completed at year-end;
- finished goods, amounting to Euro 48,731 thousand, net of the relative obsolescence provision of Euro 6,652 thousand (Euro 12,304 thousand at December 31, 2015) comprise garments and footwear produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

Inventories, net of the obsolescence provision, has reduced by Euro 2,484 thousand. This is due to the improved production chain planning, which reduced latest season stock (from the AI15 season), despite the development of the Retail channel resulting in additional season-end inventory. This production chain improvement resulted in a reduction of the Obsolescence provision. Policies were also introduced for the disposal of old season stock, written down in previous years and resulting in a significant release from the provision.

The obsolescence provision, amounting to Euro 9,398 thousand, recorded as a direct reduction of inventories at December 31, 2016, refers to the adjustments to the value of inventories for the effects of slow moving raw materials and finished goods and the lower realizable value of stock and garments of previous seasons.

Receivables

The changes in receivables are shown in the table below:

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

in Euro	31/12/2016	31/12/2015	Changes
Trade receivables	40,079,826	40,171,495	(91,669)
Tax receivables	4,271,956	3,748,290	523,666
Deferred tax assets	8,142,968	9,518,339	(1,375,371)
Other receivables	458,533	550,053	(91,520)
Total	**52,953,283**	**53,988,177**	**(1,034,894)**

Trade receivables, amounting to Euro 40,080 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 40,041 thousand and by the subsidiary Twin Set Shoes for Euro 18 thousand. The remaining Euro 20 thousand concerns the receivable of the subsidiary TS France from Galeries Lafayette for the sale of Twinset products to customers of our Boutique at the center.

These receivables are reported net of the doubtful debt provision, amounting to Euro 6,054 thousand, against the risk of potential losses. The movements in 2016 were as follows:

in Euro	31/12/2015	Provisions	Utilisations	31/12/2016
Doubtful debt provision	5,208,470	2,839,000	(1,993,214)	6,054,256

Tax receivables, amounting to Euro 4,272 thousand (Euro 3,748 thousand at December 31, 2015), mainly comprise VAT receivables of Euro 1,397 thousand (Euro 2,755 thousand at December 31, 2015), principally of Twin Set Shoes (Euro 1,164 thousand), Twin Set East (Euro 189 thousand) and the Parent Company (Euro 41 thousand) from the tax authorities, IRES and IRAP receivables of the Parent Company respectively for Euro 1,703 thousand and Euro 280 thousand, the receivable relating to the IRES repayment application as per Legislative Decree 201/2011 of the Parent Company of Euro 242 thousand, Parent Company VAT reimbursement request receivables for Euro 290 thousand and other tax receivables of Euro 360 thousand.

The deferred tax assets refer to temporary differences fiscally deductible in future years. These receivables concern the Parent Company for Euro 6,931 thousand.
Reference should be made to the “Income taxes” section of the comments on the income statement accounts for a breakdown of the items and changes in the year and to the table below relating to maturity.
Other receivables of Euro 459 thousand principally refer to receivables from suppliers and customers not offset with payables at year-end for advances and credit notes to be received, totaling Euro 218 thousand (Euro 392 thousand at December 31, 2015).
In order to provide full disclosure, it is recalled that this account also includes a receivable of the Parent Company from a supplier for a deposit paid totaling Euro 200 thousand, fully written-down through a provision recorded in 2008 by the incorporated LF.

RECEIVABLES THAT PROVIDE FOR THE OBLIGATION OF RETROCESSION

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

BREAKDOWN OF RECEIVABLES BY REGION

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

CLIENTS BY REGION	2016 %	2015 %
ITALY	75.5%	76.1%
EU	22.0%	21.0%
Non EU	2.5%	2.9%
TOTAL	**100.0%**	**100.0%**

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

MATURITY OF RECEIVABLES

The maturity of receivables at December 31, 2016 is reported in the table below:

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

in Euro	Total	Amounts due within 1 year	Amounts due between 1 and 5 years
Trade receivables	40,079,826	40,079,826	-
Tax receivables	4,271,956	4,271,956	-
Deferred tax assets	8,142,968	3,860,778	4,282,190
Other receivables	458,533	458,533	-
Total Receivables	**52,953,283**	**48,671,093**	**4,282,190**

Financial assets not held as fixed assets

Derivative financial instruments - Assets

The Parent Company has undertaken Flexible Forward derivative finance operations. At December 31, 2016, derivatives amounted to Euro 37,674 thousand (Euro 44,328 thousand in 2015) and related to commitments deriving from USD forward purchase contracts. At the reporting date, the fair value was Euro 2,286 thousand. Further details are provided in the following table:

Banca	Tipo contratto	Importo (USD)	Data operazione	Data inizio utilizzo	Data scadenza	Cambio Forward	Ctr Euro	Fair Value
BPER	Flexi forward	1,000,000	04/12/2015	01/12/2016	31/03/2017	1.1000	909,091	14,632
BNL	Flexi forward	2,000,000	22/04/2016	09/01/2017	27/04/2017	1.1300	1,769,912	49,901
Unicredit	Flexi forward	4,000,000	04/12/2015	01/12/2016	31/03/2017	1.1000	3,636,364	61,868
BPER	Flexi forward	2,500,000	31/03/2016	01/02/2017	28/04/2017	1.1491	2,194,715	191,555
Unicredit	Flexi forward	5,000,000	01/04/2016	02/05/2017	31/07/2017	1.1540	4,332,756	381,262
BPER	Flexi forward	5,000,000	11/02/2016	01/02/2017	28/04/2017	1.1450	4,366,812	366,893
BNL	Flexi forward	5,000,000	22/04/2016	01/08/2017	30/11/2017	1.1400	4,385,965	309,589
Unicredit	Flexi forward	3,000,000	02/05/2016	01/08/2017	30/11/2017	1.1644	2,576,434	239,158
BNL	Flexi forward	5,000,000	02/11/2016	01/09/2017	22/12/2017	1.1220	4,456,328	231,687
BPER	Flexi forward	5,000,000	07/11/2016	01/11/2017	28/02/2018	1.1220	4,456,328	231,143
Unicredit	Flexi forward	5,000,000	07/11/2016	01/12/2017	28/02/2018	1.1212	4,589,261	208,440
Totale		**42,500,000**					**37,673,965**	**2,286,127**

Cash and cash equivalents

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

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

in Euro	31/12/2016	31/12/2015	Changes
Bank and postal accounts	62,028,271	38,805,765	23,222,506
Cheques	-	-	-
Cash on hand	141,703	233,320	(91,617)
Total cash and cash equivalents	**62,169,974**	**39,039,085**	**23,130,889**

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

Accrued income and prepaid expenses

The account at December 31, 2016 totaled Euro 2,438 thousand (Euro 2,314 thousand at December 31, 2015) and included the discount on the issue of the bond loan of the Parent Company for Euro 766 thousand (the portion beyond one year totaled Euro 300 thousand) and the following prepaid expenses of Euro 1,661 thousand:

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

Prepaid expenses	31/12/2016	31/12/2015	Change
Trade fairs	68,945	-	68,945
Hire	16,059	58,989	(42,930)
Rental	380,897	424,897	(44,000)
Services	713,820	250,224	463,596
Consultants	256,398	233,602	22,796
Insurance	72,889	82,913	(10,024)
Franchising	145,357	189,444	(44,087)
Other	6,575	7,179	(604)
Total	**1,660,940**	**1,247,248**	**413,692**

Services totaling Euro 714 thousand (Euro 250 thousand at December 31, 2015) principally concerns prepaid expenses on billboards, season SS17 catalogues, assistance contracts, condominium expenses, telephone expenses and licenses; the sub-item Consultants mainly includes prepaid expenses on IT consultancy and financial consultancy.
The Franchising sub-item of Euro 145 thousand (Euro 189 thousand at December 31, 2015) concerns the initial start-up

cost incurred by the Parent Company and recognized over the duration of the franchising contracts.
There are no accrued income and prepaid expenses with duration of more than five years.

Liabilities

Shareholders' Equity

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

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

in Euro	Share capital	Share premium reserve	Legal reserve	Exchange gains reserve	Fair Value Reserve [1]	Translation reserve	Retained earnings Twin Set SPA	Retained earnings OTHERS	Net Profit/(loss)	Total
At 31/12/2014	**522,400**	**133,840,149**	**104,480**	**95,055**	**(242,000)**	**31,310**	**-**	**(497,902)**	**(13,635,872)**	**120,217,620**
Allocation of 2014 result [2]	-	-	-	-	-	-	(7,196,627)	(6,439,245)	13,635,872	-
Distribution of dividends	-	-	-	-	-	-	-	-		-
Result for the year 2015	-	-	-	-	-	-	-	-	(10,640,474)	(10,640,474)
Translation reserve	-	-	-	-	-	298,353	-	-	-	298,353
Change in Fair Value [1]	-	-	-	-	(1,252,332)	-	-	-	-	(1,252,332)
At 31/12/2015 [1]	**522,400**	**133,840,149**	**104,480**	**95,055**	**(1,494,332)**	**329,663**	**(7,196,627)**	**(6,937,147)**	**(10,640,474)**	**108,623,167**
Allocation of 2015 result [3]	-	-	-	-	-	-	(11,509,472)	868,998	10,640,474	-
Result for the year 2016	-	-	-	-	-	-	-	-	(3,744,181)	(3,744,181)
Change to translation reserve	-	-	-	-	-	(213,440)	-	-	-	(213,440)
Change to consolidation reserve	-	-	-	-	-	-	-	(406,014)	-	(406,014)
Change in Fair Value	-	-	-	-	1,608,852	-	-	-	-	1,608,852
At 31/12/2016	**522,400**	**133,840,149**	**104,480**	**95,055**	**114,520**	**116,223**	**(18,706,099)**	**(6,474,163)**	**(3,744,181)**	**105,868,384**
TOTAL GROUP NET EQUITY										**105,868,384**
- Minority interest capital and reserves										20,732
- Minority interest profit/(loss)										348,265
TOTAL MINORITY INTEREST NET EQUITY										**368,997**
TOTAL NET EQUITY										**106,237,381**

In application of the new Italian GAAP, the fair value of derivatives is now recorded to the balance sheet. This had a negative effect on Net Equity at January 1, 2016 of Euro 1,494 thousand.
On June 20, 2013 a share capital increase was approved of Euro 22 thousand, subscribed and paid-in for Euro 16 thousand by the Shareholder CEP III Partecipations S.à r.l. SICAR and for Euro 6 thousand by MO.DA Gioielli S.r.l., with share premium of Euro 6,995 thousand, respectively of Euro 5,037 thousand and Euro 1,959 thousand. This increase derives from the Earn Out within the acquisition contract of July 25, 2012 concluded in the previous year. Following this operation, the share capital of the Parent Company totaled Euro 522 thousand, fully paid-in.
As previously stated, on July 1, 2015 The Carlyle Group and Simona Barbieri acquired from Mo.Da Gioielli S.r.l. its 28% minority holding in the Company, together with the shareholder loan between Mo.Da as lender and the Company as borrower. Specifically, The Carlyle Group acquired 18% of the Company, taking its total investment to 90%, while Simona Barbieri directly acquired 10%.

RECONCILIATION OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation between the net equity and profit of the Parent Company at December 31, 2016 resulting from the financial statements of the parent company and the consolidated financial statements is reported below:

RECONCILIATION OF PARENT AND CONSOLIDATED NET RESULT AND NET EQUITY

Reclassification accounts	Net Equity 31/12/2015	Net Result 31/12/2015	Net Equity 31/12/2016	Net Result 31/12/2016
Financial statements of TWIN SET - Simona Barbieri S.p.A.	**115,855,984**	**(11,509,473)**	**107,351,335**	**(8,619,170)**
- Elimination of carrying value of investments in subsidiaries	10,988,783	9,975,406	23,889,931	12,901,148
- Result reported by subsidiaries	(14,250,139)	(8,493,581)	(22,288,285)	(5,709,328)
- Elimination of dividends from subsidiaries	-	-	-	(2,289,690)
- Amortisation of start up and formation expenses	(236,522)	(118,261)	(443,063)	(206,541)
- Elimination of inter-company profits/losses	(2,240,607)	(494,565)	(2,641,534)	179,400
Net Equity and Net Result - Group	**110,117,499**	**(10,640,474)**	**105,868,384**	**(3,744,181)**
Net Equity and Net Result - Minority interests	**494,777**	**233,766**	**368,997**	**348,265**
Net Equity and Net Result - Consolidated	**110,612,276**	**(10,406,708)**	**106,237,381**	**(3,395,916)**

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

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

EQUITY ALLOCATED TO A SPECIFIC BUSINESS

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

Provisions for risks and charges

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

in Euro	31/12/2015 (1)	Provisions	Utilisations	Releases/ Reclassifications	31/12/2016
Provision for pensions and similar obligations	4,432,216	1,421,976	-	56,086	5,910,278
Provision for taxation, including deferred tax liabilities	6,551,536	-	(439,601)	-	6,111,935
Financial derivative instruments	2,019,919	151,688	-	-	2,171,607
Provisions for risks and charges	633,957	300,000	-	-	933,957
Provision for returns	2,697,000	1,271,000	(1,519,000)	-	2,449,000
Total Provision for risks and charges	**16,334,628**	**3,144,664**	**(1,958,601)**	**56,086**	**17,576,777**

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

The provision for pensions and similar obligations refers to supplementary indemnities set aside, exclusively concerning the Parent Company (Euro 5,910 thousand), represented by the amount due to sales representatives for termination of contract.
Provisions were determined in accordance with the National Agents' Agreement for the Italian agents and sector agreements for the overseas agents; they were re-charged under service costs in the Income Statement.

The provision for taxation including deferred tax liabilities of Euro 6,112 thousand refers to the deferred tax liabilities recorded by the Group, which is described in further detail in the “Income tax” section of the comments to the income statement accounts.

The Provision for risks and charges concerns potential disputes with third parties amounting to Euro 934 thousand. Euro 300 thousand was provisioned for disputes arising in the year.

The provision for returns on sales is accrued on the basis of the estimated and expected returns relating to sales made during the year 2016 and recorded in the income statement under “Provision for risks”.

The provisions made reflect the best possible estimates on the basis of the information available.
Derivative financial instruments - liabilities: at December 31, 2016, the Parent Company had an Interest Rate Swap (IRS) in place with Unicredit for a nominal value of Euro 100,000 thousand, with maturity on July 15, 2019.
The breakdown and fair value at December 31, 2016 is shown in the table below:

Counterparty	Amount	Operation date	Maturity date	Rate	Floater	Fair Value
Unicredit	100,000,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(2,171,607)
Total	**100,000,000**					**(2,171,607)**

For information on Derivative financial instruments, reference should be made to the relative paragraph.

Provision for employee severance indemnities

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

The changes in 2016 were as follows:

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

in Euro	31/12/2015	Provisions	Decreases	Change in consolidation area	31/12/2016
Severance indemnity liability	731,386	74,944	20,325	(207,128)	619,527
Advances	(93,303)	(28,100)	-	-	(121,403)
Payments to supplementary funds	72,103	260,644	(258,647)	-	74,100
Total	**710,186**	**307,488**	**(238,322)**	**(207,128)**	**572,224**

The increase in payments to provisions of Euro 261 thousand is due to the expanded Group workforce, both in terms of the Retail channel and headquarters.

Employee severance indemnity costs in 2016 (including the sums allocated to external funds) are broken down as follows:

Severance indemnity liability	2016	2015
INPS Treasury Fund	987,236	949,446
Other supplementary funds	273,275	234,818
Company fund	85,017	89,513
QUIR fund	1,825	351
Total	**1,347,353**	**1,274,128**

Payables

The changes in payables are shown in the table below:

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

in Euro	31/12/2016	31/12/2015	Changes
Bonds	150,000,000	150,000,000	-
Shareholder loan	80,519,402	75,169,816	5,349,586
Bank loans	85,397	890,065	(804,668)
Client advances	1,927,105	1,440,815	486,290
Trade payables	48,811,672	42,992,236	5,819,436
Tax payables	1,507,545	3,393,573	(1,886,028)
Social security payables	1,242,366	1,262,871	(20,505)
Other payables	4,202,991	4,367,588	(164,597)
Total	**288,296,478**	**279,516,964**	**8,779,514**

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 loan concerns the shareholder The Carlyle Group for Euro 80,519 thousand, including interest matured in the year. The loan matures in 2020, with capitalized interest at an annual rate of 7%. The above-stated loan was acquired by The Carlyle Group on July 1, 2015 from Mo.Da Gioielli.

Bank loans, exclusively concerning the Parent Company, consist of bank overdrafts totaling Euro 7 thousand (Euro 138 thousand at December 31, 2015) and loans totaling Euro 78 thousand (Euro 752 thousand at December 31, 2015). The reduction in bank loans is due to the repayment of loans during the year.

The following table reports the breakdown of residual loans at December 31, 2016 compared to December 31, 2015:

Lender	31/12/2015	Changes in the year		31/12/2016	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	beyond 5 years
CARISBO	206,678	(206,678)	-	-	29/12/2016	-	-	-	-
BPER (3564210)	388,324	(309,928)	-	78,396	29/01/2017	78,396	-	78,396	-
BANCA POP. COMM.& IND.	156,957	(156,957)	-	-	21/09/2016	-	-	-	-
Total	**751,959**	**(673,563)**	**-**	**78,396**		**78,396**	**-**	**78,396**	**-**

Client advances, amounting to Euro 1,927 thousand (Euro 1,441 thousand at December 31, 2015) refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 48,812 thousand (Euro 42,992 thousand at December 31, 2015) refer to payables for the supply of goods and services for Euro 42,772 thousand (Euro 36,562 thousand at December 31, 2015) and payables to agents for commissions of the Parent Company for Euro 5,908 thousand (Euro 6,220 thousand at December 31, 2015). The account includes in addition the payable of the Parent Company to Mo.da Gioielli for Euro 132 thousand.
Tax payables, amounting to Euro 1,508 thousand (Euro 3,394 thousand at December 31, 2015) are recorded net of payments on account, withholding taxes and tax credits legally offset. This account includes payables for definite tax liabilities of the Group.
In particular, the item refers to employee and consulting withholding taxes for Euro 1,265 thousand (Euro 1,317 thousand at December 31, 2015), the VAT payable for Euro 168 thousand (Euro 187 thousand at December 31, 2015), Euro 18 thousand for the residual payable following the Finance Police assessment for 2013 of the Parent Company and other tax payables of Euro 57 thousand.

Social security payables, amounting to Euro 1,242 thousand (Euro 1,263 thousand at December 31, 2015), principally refer to INPS payables for Euro 1,090 thousand (Euro 1,098 thousand at December 31, 2015), ENASARCO for Euro 106 thousand (Euro 129 thousand at December 31, 2015), INAIL for Euro 13 thousand (Euro 8 thousand at December 31, 2015) and other social security institutions for Euro 33 thousand (Euro 29 thousand at December 31, 2015). The payables principally concern the Parent Company (Euro 1,090 thousand) and the subsidiaries Twin Set Shoes (Euro 64 thousand) and Twin Set France (Euro 62 thousand).

Other payables, amounting to Euro 4,203 thousand (Euro 4,368 thousand at December 31, 2015), include payables to employees for salaries, vacations, 13th and 14th month and relative contributions totalling Euro 3,856 thousand (Euro 4,102 thousand at December 31, 2015), payables for deposits received from fashion journalists of the Parent Company for Euro 61 thousand (Euro 79 thousand at December 31, 2015) and other payables for Euro 286 thousand (Euro 187 thousand at December 31, 2015).

PAYABLES WITH THE OBLIGATION OF RETROCESSION

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

MATURITY OF PAYABLES

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

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

in Euro	Total	Amounts due within 1 year	Amounts due from 1 to 5 years	Amounts due beyond 5 years
Bonds	150,000,000	-	150,000,000	-
Shareholder loan	80,519,402	-	80,519,402	-
Bank loans	85,397	85,397	-	-
Client advances	1,927,105	1,927,105	-	-
Trade payables	48,811,672	48,811,672	-	-
Tax payables	1,507,545	1,507,545	-	-
Social security payables	1,242,366	1,242,366	-	-
Other payables	4,202,991	4,202,991	-	-
Total Payables	**288,296,478**	**57,777,076**	**230,519,402**	**-**

BREAKDOWN OF PAYABLES BY REGION

The geographic breakdown of suppliers at December 31, 2016 is as follows:

SUPPLIERS BY REGION	2016 %	2015 %
ITALY	55.4%	66.4%
EU	7.3%	6.0%
Non EU	37.3%	27.6%
TOTAL	**100.0%**	**100.0%**

The breakdown of payables is shown in table below, all within the European Union.

PROJECT FINANCE LOANS

The Companies of the Group have not issued loans to a specific business.

Accrued expenses and deferred income

The account at December 31, 2016 totaled Euro 1,811 thousand (Euro 1,910 thousand at December 31, 2015) and includes deferred income of Euro 16 thousand (Euro 200 thousand at December 31, 2015) and the following accrued expenses:

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

Accruals	31/12/2016	31/12/2015	Change
Interest on Bond	1,757,438	1,891,056	(133,618)
Rental fees and expenses	17,409	17,033	376
Other	20,594	2,002	18,592
Total	**1,795,441**	**1,910,091**	**(114,650)**

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

Comments on the Income Statement accounts

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

Value of Production

in Euro	2016	2015 (1)	Changes
Revenues from sales and services	245,611,586	243,522,362	2,089,224
Change in work in progress, semi-finished & finished prods.	(2,814,425)	(559,094)	(2,255,331)
Internally produced fixed assets	213,000	329,426	(116,426)
Other revenues and income (1)	2,123,614	2,288,340	(164,726)
Total revenue and income	**245,133,775**	**245,581,034**	**(447,259)**

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

Revenues from sales and services refer to sales in the year through the various channels - Retail, Wholesale and Shop on Line. The item also includes sales to third parties of samples, yarns, textiles and other production materials not utilised for internal production.

Revenues refer for Euro 224,139 thousand to the Parent Company (Euro 221,463 thousand in 2015), for Euro 971 thousand to the subsidiary Tessitura Sidoti (Euro 1,266 thousand in 2015), for Euro 6,178 thousand to the subsidiary TS East (Euro 5,325 thousand in 2015), for Euro 5,955 thousand to the subsidiary TS Spain (Euro 5,989 thousand in 2015), for Euro 3,479 thousand to the subsidiary TS Belgium (Euro 3,736 thousand in 2015), for Euro 2,960 thousand to the subsidiary TS Deutschland (Euro 3,711 thousand in 2015), for Euro 1,865 thousand to the subsidiary TS France (Euro 1,623 thousand in 2015) and for Euro 65 thousand to the subsidiary Twin Set Shoes (Euro 409 thousand in 2015).

Revenues are shown net of returns, discounts and allowances.

The cost for Internally produced fixed assets of Euro 213 thousand entirely concerns the Parent Company and relates principally for Euro 81 thousand to Shopping online development projects (of which Euro 50 thousand for the replacement of our e-commerce custom platform whose go live took place in November 2016), Euro 41 thousand to the capitalisation of employee costs for the development of the Oracle JD Edwards operating system, Euro 31 thousand for the development of the Stealth system for the management of core company processes (assets, liabilities, production and inventories cycle), Euro 28 thousand for the installation of the new business intelligence software solution and the development of two reporting packages for Merchandising and Operations, Euro 14 thousand for the introduction of an application on Ipad finalized to collect orders by agents and sales personnel of the owned Show Room, Euro 10 thousand to the costs for the acquisition and installation of the "PLM" software for the management of product datasheets. These increases were classified to the balance sheet under "Patents and intellectual property rights" for Euro 181 thousand and to "Fixed assets in progress and advances" for Euro 32 thousand.

BREAKDOWN OF REVENUES BY REGION

SALES BY REGION		
	2016	2015
	%	%
REVENUES ITALY	61.0%	63.5%
REVENUES EU	28.9%	27.8%
REVENUES NON EU	10.1%	8.7%
Total	**100.0%**	**100.0%**

Other revenues and income are comprised of:

in Euro	2016	2015 (1)	Changes
Rental income	56,400	52,070	4,330
Reimbursements	184,838	124,298	60,540
Ordinary gains	79,044	14,561	64,483
Prior year income	1,297,230	1,632,182	(334,952)
Operating grants	14,836	13,745	1,091
Other revenues (1)	491,266	451,484	39,782
Total other revenues	**2,123,614**	**2,288,340**	**(164,726)**

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

Other revenues of Euro 491 thousand (Euro 452 thousand in 2015, including Euro 38 thousand reclassified from "Extraordinary income") concern the Parent Company for Euro 437 thousand and principally include: revenues from the reimbursement by the supplier which carries out also tax free financial brokerage for Euro 150 thousand, revenues from the recharge of penalties to suppliers for Euro 87 thousand, revenues from the sale of consumable materials to franchises of the Parent Company for Euro 70 thousand, Euro 74 thousand for the sale of licenses to agents for the use of an internally designed application (iPad order collection) for the management of client budgets/targets, sales campaign appointments and client datasheets.

Prior year income totalled Euro 1,297 thousand (Euro 1,632 thousand in 2015). In 2015, the item included Euro 900 thousand from the factoring of overdue trade receivables by the Parent Company according to agreements signed by the former shareholders on the merger by incorporation in 2012. The total amount was offset by a similar amount included in the "Other operating charges" account.

Reimbursements principally refer to revenue deriving from the recovery of transport expenses and other services recharged to clients, respectively of Euro 23 thousand and Euro 162 thousand.

Rental income refers to the recharge of a portion of the premises rental to Abraham Industries S.r.l (formerly "Liviana Conti S.r.l.") for Euro 56 thousand (Euro 52 thousand in 2015).

Costs of Production

in Euro	2016	2015 [1]	Changes
Raw materials, ancillary, consumables and goods	80,416,268	86,193,458	(5,777,190)
Services	63,570,984	67,141,697	(3,570,713)
Rent, lease & similar costs	19,422,679	17,755,697	1,666,982
Personnel costs	31,790,996	30,227,596	1,563,400
Amortisation, depreciation and write-downs	27,362,198	28,336,503	(974,305)
Change in raw materials, ancillary, consumables and goods	1,082,209	1,107,980	(25,771)
Provisions for risks	52,000	1,352,941	(1,300,941)
Other operating charges [1]	2,227,317	2,746,349	(519,032)
Total costs of production	**225,924,651**	**234,862,221**	**(8,937,570)**

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

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

in Euro	2016	2015	Changes
Agents	13,134,063	15,509,080	(2,375,017)
Marketing and advertising	11,259,754	10,307,087	952,667
Outsourcing	8,961,864	12,950,187	(3,988,323)
Logistics and transportation	12,112,683	12,073,803	38,880
Administrative	6,794,919	5,441,897	1,353,022
Travel	1,303,070	1,237,604	65,466
Insurance	1,089,303	1,343,811	(254,508)
Other services	8,915,328	8,278,228	637,100
Total service costs	**63,570,984**	**67,141,697**	**(3,570,713)**

The item totalled Euro 63,571 thousand (Euro 67,142 thousand in 2015).
"Agents" reduced 15%, from Euro 15,509 thousand in 2015 to Euro 13,134 thousand in 2016. "Marketing and advertising" expenses increased from Euro 10,307 thousand in 2015 to Euro 11,260 thousand in 2016 (+9.2%), due to the stepping up of marketing and communication in support of visibility and brand awareness both in Italy and overseas. The sub-item principally includes costs for the purchase of advertising pages, billboards, catalogues and pockets, photography shoots, public relations, franchising, consultancy, video production and events contributions and other advertising expenses.
The reduction in "Outsourcing" of Euro 3,988 thousand is principally due to the increased use of "outsourced products". The sub-item includes costs for ironing, textile cutting, embroidery, material application, packing and re-conditioning of clothing carried out by outsourced workers.
"Administrative" expenses increased Euro 1,353 thousand (+24.9%), principally due to the setting up of central administrative functions to support growth and the expansion of international retail sales. The sub-item mainly includes costs for legal and notary, tax, administrative and commercial consultancy and the remuneration of directors, statutory auditors and the audit firm. For a breakdown of these latter items, reference should be made to the section "Remuneration of Directors, Statutory Auditors and the Independent Audit Firm" below.
"Other services" of Euro 8,915 thousand (Euro 8,278 thousand in 2015) principally comprise utilities (Euro 2,114 thousand), condominium expenses for stores and showrooms and cleaning expenses (totalling Euro 1,341 thousand), banking expenses (Euro 1,253 thousand), maintenance costs (Euro 892 thousand), quality control costs (Euro 675 thousand), employee canteen expenses (Euro 466 thousand), entertainment expenses (Euro 293 thousand), stationary and printing costs (Euro 206 thousand) and hiring costs (Euro 105 thousand).

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

in Euro	2016	2015	Changes
Rent expenses for shop, outlet and showroom	17,668,784	16,096,664	1,572,120
Rent expenses for headquarters	1,085,849	1,049,772	36,077
Other rent expenses	668,046	609,261	58,785
Total rent, lease and similar costs	**19,422,679**	**17,755,697**	**1,666,982**

The increase in the “Rent expenses for shop, outlet and showroom” sub-item of Euro 1,572 thousand relates to the 11 new openings of stores and outlets in 2016 (net of four closures) and the full year charge of store rental contracts signed in 2015.
“Rent expenses for headquarters” amounts to Euro 1,085 thousand (Euro 1,050 thousand in 2015) and relates to administrative offices and production site rental of the Parent Company (Euro 676 thousand) and of the subsidiaries Twin Set Shoes (Euro 120 thousand), Twin Set East (Euro 188 thousand), Twin Set Spain (Euro 4 thousand) and Twin Set Deutschland (Euro 3 thousand). Euro 94 thousand concerns Tessitura Sidoti, a subsidiary until June 30, 2016. The movement on the previous year principally relates to two factors: an increase of Euro 143 thousand due to higher Parent Company rental charges following the transfer to the new headquarters; a decrease of Euro 94 thousand concerning the deconsolidation from June 30, 2016 of Tessitura Sidoti.
“Other rent expenses” of Euro 668 thousand (Euro 609 thousand in 2015) includes hire costs, principally motor vehicles which increased on 2015 dur to the expansion of the company`s car fleet and the rental of apartments granted as “fringe benefits” to some employees.
The breakdown and changes in personnel costs in the year are as follows:

in Euro	2016	2015	Changes
Salaries and wages	24,074,157	22,771,378	1,302,779
Social security contributions	6,310,534	6,182,090	128,444
Employee severance indemnities	1,347,353	1,274,128	73,225
Other personnel costs	58,952.00	-	58,952
Total personnel costs	**31,790,996**	**30,227,596**	**1,563,400**

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

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

in Euro	2016	2015	Changes
Amortisation of intangible fixed assets	20,640,816	20,453,490	187,326
Depreciation of tangible fixed assets	3,079,115	2,658,579	420,536
Other fixed asset write-downs	803,267	2,188,075	(1,384,808)
Write-down of current and liquid assets	2,839,000	3,036,359	(197,359)
Total amortisation, depreciation and write-downs	**27,362,198**	**28,336,503**	**(974,305)**

Amortisation and depreciation totalled Euro 23,720 thousand, of which Euro 20,641 thousand amortisation and Euro 3,079 thousand depreciation. The item increased Euro 608 thousand on the previous year.

During the year indicators emerged of potential losses in value on the assets of certain German stores and therefore the recoverable value was subject to an impairment test in accordance with OIC 9, recognizing write-downs as per Article 2427 of the Civil Code No. 3-bis of Euro 803 thousand.
For further details, reference should be made to the “Write-down of fixed assets” paragraph.
Provisions for risks of Euro 52 thousand (Euro 1,353 thousand at December 31, 2015) included the provision for risks and for returns, respectively of Euro 49 thousand and Euro 3 thousand. Reference should be made to that previously stated in the corresponding balance sheet accounts.
Other operating charges of Euro 2,227 thousand (Euro 2,746 thousand in 2015, including Euro 248 thousand reclassified from extraordinary charges) mainly concerns the Parent Company (Euro 1,470 thousand). They principally include prior year charges of Euro 779 thousand (Euro 1,796 thousand in 2015), relocation expenses of Euro 171 thousand, losses on receivable downs of Euro 165 thousand (Euro 80 thousand in 2015), income and other taxes for Euro 132 thousand (Euro 314 thousand in 2015), VAT on gifts for Euro 113 thousand (Euro 149 thousand in 2015) and losses on asset sales and disposals for Euro 29 thousand (Euro 23 thousand in 2015).

Financial income and charges

in Euro	2016	2015	Changes
Other financial income	31,565	27,277	4,288
Interest and other financial charges	(15,500,420)	(15,134,582)	(365,838)
Exchange gains and losses	799,075	(1,063,025)	1,862,100
Total financial income and charges	**(14,669,780)**	**(16,170,330)**	**1,500,550**

Other Financial income refers to interest matured on current accounts. Interest and other financial charges principally concerns interest paid on the Bond Loan for Euro 9,626 thousand and interest matured on the Shareholder loan for Euro 5,350 thousand.
The breakdown of interest charges in the year is shown in the table below:

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

in Euro	2016	2015	Changes
Shareholders loan interest	**5,349,585**	**4,981,426**	**368,159**
Bank interest	**524,426**	**404,267**	**120,159**
Loan interest	*13,011*	*39,995*	*(26,984)*
Overdraft and short-term loan interest	*65,691*	*58,029*	*7,662*
Bank charges	*401,724*	*306,243*	*95,481*
Financial losses	*44,000*	*-*	*44,000*
Interest on Bonds	**9,626,409**	**9,748,889**	**(122,480)**
Total	**15,500,420**	**15,134,582**	**365,838**

Interest and other financial charges totalled Euro 15,500 thousand (Euro 15,135 thousand in 2015). The increase principally concerns the Shareholder loan interest item totalling Euro 5,350 thousand (Euro 4,981 thousand in 2015), due to the increase of the loan capital following the capitalisation of interest matured.

Interest on Bonds of Euro 9,626 thousand (Euro 9,749 thousand) decreased following the reduction in the quarterly Euribor, as did Interest on mortgages following the repayment of nearly all bank loans; Bank charges however increased due to greater volumes of business.
The exchange gains and losses in the year refer to:

in Euro	2016			2015		
	Total	Gains	Losses	Total	Gains	Losses
Exchange gains/losses realised	(823,141)	885,040	(1,708,181)	(387,557)	3,372,490	(3,760,047)
Exchange gains/losses not realised	1,622,213	1,655,389	(33,176)	(675,468)	108,135	(783,603)
Total	**799,072**	**2,540,429**	**(1,741,357)**	**(1,063,025)**	**3,480,625**	**(4,543,650)**

Exchange gains/losses concern the conversion of purchasing invoices in foreign currencies, principally US Dollars, for raw materials and finished products from suppliers, principally in China and in India and the conversion of trade and financial receivables in Roubles by the Russian Subsidiary.

Adjustment to financial assets

There were no adjustments to financial assets in the financial statements for the year ended December 31, 2016.

Income taxes current and deferred

Current and deferred income taxes are broken down as follows:

in Euro	2016	2015 (1)	Changes
Current taxes	(6,424,084)	(7,856,792)	1,432,708
Taxes related to prior year (1)	(575,406)	(36,413)	(538,993)
Deferred taxes	439,601	769,619	(330,018)
Prepaid taxes	(1,375,371)	2,168,395	(3,543,766)
Total income tax	**(7,935,260)**	**(4,955,191)**	**(2,980,069)**

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

Current taxes comprise:

in Euro	2016	2015	Changes
IRES	4,665,301	5,789,513	(1,124,212)
IRAP	1,758,783	2,017,330	(258,547)
Income from tax consolidation	-	(20,125)	20,125
Substitute tax Know How release	-	70,074	(70,074)
Total current income taxes	**6,424,084**	**7,856,792**	**(1,432,708)**

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

Deferred tax assets												
Description of temporary differences	31/12/2015			Decreases 2016			Increases 2016			31/12/2016		
	Assessable	%	Tax (a)	Assessable	%	Tax (b)	Assessable	%	Tax (d)	Assessable	%	Tax (a-b-c+d)
Amort. goodwill	729,050	27.9	203,406	-	31.4	-	790,674.42	27.9	220,597.40	1,519,724	27.9	424,003
Amort. trademark Twin-Set not deduct. L. 266/05	111,112	27.9	31,000	-	31.4	-	-	27.9	-	111,112	27.9	31,000
Exchange losses	29,709	27.5	8,171	23,452	27.5	6,450	31,291	24.0	7,510	37,548	27.5	9,231
Doubtful debt provision	5,142,819	24.7	1,270,278	1,727,568	27.5	450,614	2,598,543	24.0	623,650	6,013,794	24.7	1,443,314
Obsolescence provision	16,648,244	28.8	4,799,797	6,256,889	31.4	1,898,453	448,834	27.9	125,225	10,840,189	28.8	3,026,568
Consolidation adjustments	4,612,127	31.8	1,465,140	960,347	31.4	301,549	-	31.4	-	3,651,780	31.8	1,163,591
Agents indemnities	2,005,089	25.6	513,676	-	27.9		400,000	27.9	111,600	2,405,089	25.6	625,276
Associations fees not paid	4,080	27.9	1,281	4,080	31.4	1,281	4,490.35	24.0	1,077.84	4,491	27.9	1,078
Risks provision	624,957	24.0	149,990	0	27.5	0	300,000	24.0	72,000	924,957	24.0	221,990
Returns provision	3,127,311	31.4	981,975	3,127,311	31.4	981,975	3,130,785	27.9	873,490	3,130,785	31.4	873,489
MBO	-	-	-	-	27.5	-	839,924	24.0	201,582	839,924	24.0	201,582
Directors fees not paid	334,500.00	28.0	93,626.00	234,500.00	27.5	66,126	380,090	27.9	94,346	480,090	28.0	121,846
Total	**33,368,997**		**9,518,339**	**12,334,147**		**3,706,448**	**8,924,632**		**2,331,077**	**29,959,483**		**8,142,968**

Deferred tax liabilities												
Description of temporary differences	31/12/2015			Decreases 2016			Increases 2016			31/12/2016		
	Assessable	%	Tax (a-b+c)	Assessable	%	Tax (b)	Assessable	%	Tax (c)	Assessable	%	Tax (a-b-c+d)
Exchange gains not realized	17,623	64.9	11,429	14,752	27.5	10,616	6,512	24.0	1,563	9,382	24.0	1,700
Amort. trademark Twin-Set allocation of merger deficit	23,269,502	28.1	6,540,106	1,369,015	31.4	429,871	-	27.9	-	21,900,487	27.9	6,110,235
Total	**23,287,125**		**6,551,535**	**1,383,767**		**440,487**	**6,512**		**1,563**	**21,909,869**		**6,111,935**

As previously described, deferred tax assets and liabilities for the Group’s Italian companies were valued taking into consideration the IRES tax change, which from January 1, 2017 will be 24% instead of the current 27.5%.

Other information to be provided in the Explanatory Notes

Remuneration of Directors, Statutory Auditors and the Independent Audit Firm

The breakdown of the remuneration of Directors, Statutory Auditors and the Independent Audit Firm is presented below:

in Euro	2016	2015	Changes
Board of Directors	1,833,158	2,000,218	(167,060)
Board of Statutory Auditors	67,200	67,600	(400)
Independent Audit Firm	179,796	161,422	18,374
Total	**2,080,154**	**2,229,240**	**(149,086)**

Transactions with Related Parties

The Parent Company operates through the utilization of factories and warehouses under rental contracts, owned property or finance leases of the company MO.DA Gioielli S.r.l..
MO.DA Gioielli S.r.l. also holds controlling shareholdings in the companies Abraham Industries S.r.l. (formerly “Liviana Conti S.r.l.”) and K8 S.r.l., operating in the women’s clothing and accessory sector, marketed respectively under the brands “Liviana Conti” and “Erika Cavallini - Semi-Couture”. Since July 1, 2016, MO.DA Gioielli also controls Tessitura Sidoti, a subsidiary of Twin Set Simona Barbieri S.p.A. until June 30, 2016. Tessitura Sidoti is involved in the production and sale of sweaters and jerseys.
The Directors’ Report provides information on transactions with related parties indicating the credit and debit balances, sales, purchases, other revenues and costs and guarantees.
No atypical and/or unusual transactions took place with related parties and all operations were governed at normal market conditions.

Off-balance sheet agreements

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

Derivative financial instruments

As previously described, the Parent Company undertook forward operations in US Dollars, whose financial effects were already commented upon in the financial management section.

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

Financial risk management

As the Group is operative on global markets, it is exposed to a range of financial risks, including those regarding interest and currency rate movements. In order to minimise these risks, the Parent Company therefore uses derivative instruments for "risk management", while derivative instruments or similar are not utilised for trading purposes.

Specifically, the company decided to utilise hedge accounting for the management of the following financial risks.

Currency risk

The Euro is the functional currency used for the consolidated financial statements; however, the 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 this risk, the Parent Company undertook flexible forward derivative operations. Following the incorporation of Twin Set East (Russia), the Group is exposed to the depreciation of the Ruble in terms of loans issued and inter-company sales in the local currency.

The risk management policy approved by the company seeks to reduce the impact on company margins and cash flows from currency movements, minimising at the same time protection costs against these events in terms of the pre-chosen hedging instruments.

For commercial or financial transactions in currencies other than the Euro, the currency risk managed concerns fluctuations in the exchange rate between the agreement of the commercial/financial operation and its receipt/payment.

Interest rate risk

The exposure to interest rate risk relates essentially to loans agreed at variable rates. This risk concerns the possibility that an increase in market rates results in higher interest charges.

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.

This type of hedge seeks to minimise interest rate changes generated by loans at variable rates. The exposure to interest rate risk is calculated on the basis of the loan repayment plans and the parameters used to calculate interest

Movements in the Fair Value of derivative financial instruments with indication of changes recognised to the Net equity reserve

	Financial derivative instruments to cover expected cash flows	Passive Financial derivative instruments to cover expected cash flows	Total
Opening values	525,587	(2,019,919)	**(1,494,332)**
Change in FV recognized in equity reserve	1,760,540	(151,688)	**1,608,852**
Closing values	2,286,127	(2,171,607)	**114,520**

Off balance sheet commitments, guarantees and contingent liabilities

The Group has sureties issued by credit institutions on behalf of the Parent Company and Twin Set East, against contractual obligations undertaken on the signing of rental contracts, totaling Euro 6,891 thousand (Euro 6,127 thousand at December 31, 2015).