TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Quarter report as of and for the three months ended March 31, 2015

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

The following is a discussion and analysis of the financial condition and results of operations of Twin Set – Simona Barbieri Group (Group) as of and for the three months ended March 31, 2015. This discussion should be read together with the Twin Set – Simona Barbieri Group Interim Consolidated Financial Statements as of and for the three months ended March 31, 2015 prepared in accordance with Italian GAAP and the related notes. We have condensed and renamed certain Italian GAAP line items in these statements in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP.

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

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

OVERVIEW

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

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

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

The main objectives of the Group during the three months ended March 31, 2015 were the further strengthening of Twin– Set brand and the growth of retail channel, especially abroad.

RECENT DEVELOPMENT

On July 22, 2014, Twin Set – Simona Barbieri (The Parent Company) issued an aggregate principal amount of floating rate notes (the "Notes") of €150.0 million.
The gross proceeds from the offering of the Notes were equal to €148.5 million. The Notes will mature on July 15, 2019.
Interest on notes will accrue at a rate per annum, reset quarterly, equal three-month EURIBOR plus 5.875%.
In accordance with the agreements signed between the shareholders at the time of the merger by incorporation occurred in 2012, last January the Company sold certain unpaid trade receivables for an amount of Euro 0.7 million and, as an

indemnification of the losses on such receivables, the Company received a payment of Euro 0.2 million made by one of the shareholders at the time of the merger.

During the three months ended March 31, 2015 the Group has further increased sales with a solid growth especially in international markets. In particular, on February 11, 2015 was opened the new Boutique in Moscow (Russia), in the most glamorous shopping center of the city GUM and was signed on February 4, 2015 the contract for the opening of the first outlet in Moscow; on March 25, 2015 was signed the contract for the opening in Puerto Banus of the 5th Spanish Boutique.

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Like-for-like revenue performance	For the year ended December 31,				For the three months ended March 31,
	2011	2012 (1)	2013	2014	2015
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	2.4%	2.8%

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

Our total like-for-like revenue performance has steadily improved over the period under review, by 2.8% for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 and by 2.4%, 7.8%, 6.5% and 5.2% for the years 2014, 2013, 2012 and 2011, respectively. Our increased total like-for-like revenue performance was primarily driven by increased brand awareness and improving retail operations.

Reported EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA and Adjusted EBITDA Margin vary according to the distribution channel through which we sell our merchandise. Our retail channel has been growing relative to our wholesale channel in the last years, although our wholesale channel remains the primary driver of our revenue, accounting for 77.6% and 81.4% of Twin Set Revenue for the three months ended March 31, 2015 and March 31, 2014 respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. Reported EBITDA margins are typically higher in our wholesale channel, due to the higher fixed costs necessary to operate retail stores.

€/000	Three months ended March 31,	Three months ended March 31,
	2015	2014
Reported EBITDA	**20,235**	**17,175**
Non-recurring provisions	217	154
Other items	118	50
Adjusted EBITDA	**20,570**	**17,379**
Adjusted EBITDA Margin	*24.4%*	*24.9%*

As shown in the table above, our Adjusted EBITDA reached Euro 20.6 million, showing an increase of 3.2 million (+18.4%) compared to the same period of 2014, mainly due to the expansion in Twin Set Revenue volume.

Adjusted Ebitda Margin is 24.4% for the three months ended March 31, 2015 decreasing slightly (-0.5 p.p.) compared to the same period of 2014. This is primarily due to the expansion of our Retail network which still saw an increase, at least in the initial years, in the proportion of operating costs (primarily rent, retail staff costs and headquarter costs).

Non-recurring provision, both for the three months ended March 31, 2015 and March 31, 2014, relates mainly to provision for disputes with former agents and employees.
Other items include mainly bank service costs that, according to Italian GAAP, are classified into the cost of services line item rather than in interest (income)/expense, gain/loss on disposal of assets and other one off contingent liabilities.

RESULTS OF OPERATIONS

Three months ended March 31, 2015 of Twin Set compared to the three months ended March 31, 2014 of Twin Set

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

€/000	Three months ended March 31,	% of revenue	Three months ended March 31,	% of revenue	Change	% Change
Consolidated Income Statement	**2015**		**2014**			
Revenue	84,719	*100.0%*	70,167	*100.0%*	14,552	*20.7%*
Other income and internally generated assets	1,182	*1.4%*	540	*0.8%*	642	*>100*
Change in work in progress, semifinished and finished product inventories	(15,947)	*(18.8%)*	(14,559)	*(20.7%)*	(1,388)	9.5%
Purchase of raw materials, goods and changes in inventory	(14,419)	*(17.0%)*	(12,498)	*(17.8%)*	(1,921)	*15.4%*
Cost of services	(21,308)	*(25.2%)*	(17,814)	*(25.4%)*	(3,494)	*19.6%*
Rent	(4,157)	*(4.9%)*	(2,493)	*(3.6%)*	(1,664)	*66.7%*
Personnel costs	(7,196)	*(8.5%)*	(5,311)	*(7.6%)*	(1,885)	*35.5%*
Depreciation, amortization and impairment	(5,489)	*(6.5%)*	(4,699)	*(6.7%)*	(790)	*16.8%*
Write-downs of trade receivables	(1,280)	*(1.5%)*	(400)	*(0.6%)*	(880)	*>100*
Provisions	(217)	*(0.3%)*	(61)	*(0.1%)*	(156)	*>100*
Other operating costs	(1,142)	*(1.3%)*	(396)	*(0.6%)*	(746)	*>100*
Operating profit	**14,746**	***17.4%***	**12,476**	***17.8%***	**2,270**	***18.2%***
Financial income/(expenses)	(3,289)	*(3.9%)*	(2,859)	*(4.1%)*	(430)	*15.0%*
Extraordinary income/(expenses)	(4)	*(0.0%)*	(101)	*(0.1%)*	97	*(96.0%)*
Profit/(loss) before tax	**11,453**	***13.5%***	**9,516**	***13.6%***	**1,937**	***20.4%***
Income tax	(5,146)	*(6.1%)*	(3,460)	*(4.9%)*	(1,686)	*48.7%*
Profit/(loss) for the period	**6,307**	***7.4%***	**6,056**	***8.6%***	**251**	***4.1%***
Net profit attributable to:						
Owners of the Group	6,137	*7.2%*	6,058	*8.6%*	79	*1.3%*
Non controlling interest	170	*0.2%*	(2)	*0.0%*	172	*n.m.*

Revenue. Revenue increased by €14.6 million, or 20.7%, to €84.7 million for the three months ended March 31, 2015 from €70.2 million for the three months ended March 31, 2014. This increase was due to both wholesales and retail channel growth distributed across our domestic and international markets.

The following table sets forth the breakdown of our revenue by distribution channel for the three months ended March 31, 2014 and 2015.

Breakdown of revenue by distribution channel	Three months ended March 31,		Three months ended March 31,		% change
(€/000)	**2015**		**2014**		
Wholesale	65,830	78.2%	57,126	81.9%	15.2%
Retail (including on line)	18,398	21.8%	12,610	18.1%	45.9%
Twin Set Revenue	**84,228**	**100%**	**69,736**	**100%**	**20.8%**
Other revenue [(1)]	491		431		13.9%
Revenue	**84,719**		**70,167**		**20.7%**

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

Wholesale.
We have maintained and expanded our strong wholesale distribution channel in Italy and internationally. This channel consists of apparel doors and specialty doors operated by third parties that sell our merchandise along with products from other retailers. Specialty doors are mixed retail apparel points of sale where specific product lines, such as Beachwear/Lingerie, Girl and Girl Shoes are sold.
Wholesale revenue increased by €8.7 million, or 15.2%, to €65.8 million for the three months ended March 31, 2015 from €57.1 million for the three months ended March 31, 2014. This increase was primarily due to increased sales in Italy, where wholesale revenue increased by €3.3 million or 8% compared to the same period in 2014. Also wholesale revenue abroad performed well with an increase by € 5.4 million (of which 1.0 million in franchisee channel) or 30.1%, compared with the same period in 2014. The figures confirm the strength of the international market penetration strategy. The increase in Italy was primarily due to growth generated by wholesale customers of our Beachwear/Lingerie, Girl and Jeans product lines.

Retail (including online).
Retail revenue increased by €5.8 million, or 45.9%, to €18.4 million for the three months ended March 31, 2015, from €12.6 million for the three months ended March 31, 2014. This increase was primarily attributable to the expansion of our retail network with 17 DOS and 4 Outlet opened in the last 12 months. Like-for-like revenue performance for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 also had a good performance increasing by 2.8%, driven primarily by sales from our stores in first-tier cities in Italy and increased brand awareness. Online channel sales also contributed to retail channel results improving its performance by €0.6 million or 71.6% compared with the same period in 2014.

The table below sets forth the retail points of sale for the periods and geographies presented.

Retail points of sales	As of March 31, 2015		As of March 31, 2014	
	DOS	Outlet	DOS	Outlet
Italy	29	12	27	10
Outside of Italy	18	2	3	-
Total retail point of sale	**61**		**40**	

During the periods under review, our retail points of sale network expanded from 40 retail points of sale as of March 31, 2014 to 61 retail points of sale as of March 31, 2015 (47 DOS and 14 outlets).

In the first quarter of 2015, and in line with our plan, we opened new retail point of sales in Italy (2), Russia (1) and we opened a factory store in Carpi.

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

Retail points of sales openings	For the three months ended March, 31 2015		For the three months ended March 31, 2014	
	DOS	Outlet	DOS	Outlet
Italy	2	1	- (1)	-
Outside of Italy	1	-	1	-
Total retail point of sale	**4**		**1**	

(1) The relevant amounts are net of the store closing that occurred in the period

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

Breakdown of retail revenue by sub-channel (€/000)	Three months ended March 31,	Three months ended March 31,	% change
	2015	2014	
DOS	12,847	8,925	43.9%
Outlet	3,960	2,758	43.6%
Online	1,591	927	71.6%
Retail Revenue	**18,398**	**12,610**	**45.9%**

During the periods under review, the growth of our retail channel revenue was driven primarily by the development of our DOS network which contributed €3.9 million in revenue for the three months ended March 31, 2015. We also invested in our outlet store network, which contributed €4.0 million of revenue in 2014, compared to €2.8 million in the same period of 2014. In addition, our online sub-channel contributed €1.6 million in revenue for first quarter 2015, compared to €0.9 million for the first quarter 2014, due to our increased online customer base and web-based marketing initiatives.

The following table sets forth the breakdown of our revenue by geography for the periods ended March 31, 2014 and March 31, 2015.

Breakdown of revenue by geography (€/000)	For the three months ended March 31,	For the three months ended March 31,	% change
	2015	2014	
Italy	56,328	51,185	10.0%
Benelux	5,995	4,200	42.7%
Spain	5,759	3,365	71.1%
France	3,299	1,912	72.5%
Russia	3,601	1,790	>100
Germany	3,006	1,755	71.3%
Other countries	6,240	5,529	12.9%
Twin Set Revenue	**84,228**	**69,736**	**20.8%**
Other revenue	491	431	13.9%
Revenue	**84,719**	**70,167**	**20.7%**

Italy.
Revenue generated in Italy increased by €5.1 million, or 10%, to €56.3 million for the three months ended March 31, 2015, from €51.2 million for the three months ended March 31, 2014. This increase was due to both the Wholesale (€3.3 million) and the Retail channels (€1.4 million).

International.
Compared to the three months ended March 31, 2014 revenue generated outside of Italy increased by 50.4%.
This result is partially due to the retail international expansion (Benelux 2 stores, Spain 4 stores, France 3 stores, Germany 4 stores and Russia 4 stores – all opened between April 2014 and March 2015) contributing to growth together with increasing penetration of our new lines in the wholesale channel.

The table below sets forth our revenue by product line.

Breakdown of revenue by product line (€/000)	For the three months ended March 31,	For the three months ended March 31,	% change
	2015	2014	
TS Main	37,013	31,533	17.4%
Beachwear/Lingerie	11,298	8,506	32.8%
Girl	8,705	6,628	31.3%
Jeans	7,869	6,214	26.6%
Accessories/Bags	6,045	6,095	(0.8%)
Shoes	4,226	3,799	11.2%
Le Coeur	3,844	2,257	70.3%
Scee	4,778	4,478	6.7%
Other	450	226	99.1%
Twin Set Revenue	**84,228**	**69,736**	**20.8%**
Other revenue	491	431	13.9%
Revenue	**84,719**	**70,167**	**20.7%**

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

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories. Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by €3.3 million, or 12.2%, to €30.4 million for the three months ended March 31, 2015 from €27.1 million for the three months ended March 31, 2014. As a percentage of Twin Set Revenue, this line item decreased by 2.7 percentage points, to 36.1% in the three months of 2015, from 38.8% in the three months ended March 31, 2014. This decrease was primarily due to a change in the channel mix and to lesser extent more efficient supplying chain.

€/000	Three months ended March 31,	Three months ended March 31,	Changes	% Changes
	2015	2014		
Raw materials, supplementary materials, consumables and goods	16,514	14,200	2,314	16.3%
Change in inventories of raw materials, supplementary materials, consumables and goods	(2,095)	(1,702)	(393)	23.1%
Purchase of raw materials, goods and changes in inventories	**14,419**	**12,498**	**1,921**	**15.4%**
Change in work in progress, semi-finished and finished product inventories	15,947	14,559	1,388	9.5%
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**30,366**	**27,057**	**3,309**	**12.2%**
% of Twin Set Revenue	*36.1%*	*38.8%*	-	-

Cost of services. Cost of services increased by €3.5 million, or 19.6%, to €21.3 million for the period ended March 31, 2015, from €17.8 million in the same period of 2014. As a percentage of revenue, cost of services compared to the same period last year decreased by 0.2 percentage points. This was due to the more carefull management of operating costs, which started in the second half of 2014 and continued in the period under review. The table below sets forth the breakdown of costs of services for the three months ended March 31, 2014 and 2015.

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Changes
Agent commissions	6,660	4,913	1,747	35.6%
Marketing and advertising	3,604	3,699	(95)	(2.6%)
External works	4,449	3,452	997	28.9%
Logistics and transport	2,839	2,634	205	7.8%
Administrative	1,331	905	426	47.1%
Travelling expenses	321	384	(63)	(16.4%)
Other service costs	2,104	1,827	277	15.2%
Total cost of services	**21,308**	**17,814**	**3,494**	**19.6%**
% of Revenue	*25.2%*	*25.4%*		

The 19.6% increase in costs of services for the three months ended March 31, 2015 was primarily attributable to an increase in agent commissions, external works and administrative of, 35.6%, 28.9% and 47.1% respectively. Agent commissions increase slightly more than sales in the wholesale channel due to higher commission paid to the agents on the new product lines and to agents operating in the international market. External works increase in line with the growth of revenue. Administrative expenses increased due to the setting up of central administrative functions to support future growth revenue and especially for the international retail expansion. Logistics and transport costs increased to €2.8 million, primarily due to the volume increase and to the international retail operation.

Rent. Rent increased by €1.7 million, or 66.7%, to €4.2 million for the period ended March 31, 2015 from €2.5 million for the same period of 2014. The rise in rent was primarily due to the opening of 21 new DOS and outlet in the past 12 months (net of two stores closing that occurred in the period under review, Milan Coin and Florence Coin).

The table below sets forth the breakdown of rent for the three months ended March 31, 2014 and 2015.

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Changes
Rent expenses for shop, outlet and showroom	3,626	2,212	1,414	63.9%
Rent expenses for headquarters	398	192	206	>100
Other rent expenses	133	89	44	49.4%
Total rent	**4,157**	**2,493**	**1,664**	**66.7%**
% of Revenue	*4.9%*	*3.6%*		

Personnel costs. Personnel costs increased by €1.9 million, or 35.5%, to €7.2 million in the three months of 2015 from €5.3 million for the same period of 2014. As a percentage of revenue, personnel costs increased by 0.9 percentage points to 8.5% for the period ended March 31, 2015 from 7.6% for the same period of 2014, primarily due to the increase in our number of point of sales over the periods, which required additional retail employees and additional support from headquarters to handle increased business volume.

The table below sets forth the breakdown of personnel costs for the three months ended March 31, 2014 and 2015.

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Change
Wages and salaries	5,373	3,924	1,449	36.9%
Social security contribution	1,529	1,141	388	34.0%
Employee severance indemnities	294	246	48	19.5%
Total personnel costs	**7,196**	**5,311**	**1,885**	**35.5%**
% of Revenue	*8.5%*	*7.6%*		

The following table shows the related breakdown by category and location, compared to previous year:

	As of March 31, 2015		As of March 31, 2014		Changes	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	6	1	4	-	2	1
Managers	14	3	15	-	(1)	3
Clerical/administrative staff	227	8	169	-	58	8
Workers	59	-	34	-	25	-
Retail staff	289	148	254	15	35	133
Total employees number	**595**	**160**	**476**	**15**	**119**	**145**
Combined total employees (Italy and abroad)	**755**		**491**		**264**	

Amortization and depreciation. Amortization and depreciation increased by €0.8 million to €5.5 million for the first quarter 2015 from €4.7 million for the first quarter 2014. The increase in amortization and depreciation for the period ended March 31, 2015 compared to the same period of 2014 is affected mainly by the increase of amortization cost for key money and leasehold improvements paid for new store openings.

The table below sets forth the breakdown of depreciation and amortization for the three months ended March 31, 2014 and 2015.

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Changes
Amortization of intangible fixed assets	4,906	4,294	612	14.3%
Depreciation of tangible fixed assets	583	405	178	43.9%
Total amortization and depreciation	**5,489**	**4,699**	**790**	**16.8%**
% of Revenue	*6.5%*	*6.7%*		

Operating profit. Operating profit increased by €2.3 million, or 18.2%, to €14.7 million for the period ended March 31, 2015 from €12.5 million for the same period of 2014. As a percentage of revenue, operating profit decreased by 0.4 percentage points to 17.4% in 2015 from 17.8% in the same period of 2014.

This result is primarily due to the expansion of our retail points of sale network, and DOS in particular, which implies higher fixed costs (mainly with respect to rent and personnel, both store and central personnel) and has also affected the amortization and depreciation charges in our consolidated income statement during the periods under review, as our larger store network has resulted in increased depreciation of tangible and intangible fixed assets. This effect has been partially offsetted by higher sales volume and a better management of operating costs.

Financial income/(expenses). Financial expenses increased by €0.4 million to €3.3 million in the first three months of 2015 from €2.9 million in the same period of 2014. The increase was primarily due to the higher interests paid on bond issued.

The table below sets forth the breakdown of financial expenses for the three months ended March 31, 2014 and 2015.

€/000	Three months ended March 31,	Three months ended March 31,	Changes	% Changes
	2015	2014		
Other financial income	4	18	(14)	(77.8%)
Interest and other financial expenses	(3,657)	(2,697)	(960)	35.6%
Foreign exchange gains and losses	364	(180)	544	>100
Total financial income and expenses	**(3,289)**	**(2,859)**	**(430)**	**15.0%**
% of Revenue	*(3.9%)*	*(4.1%)*		

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

€/000	Three months ended March 31,	Three months ended March 31,	Changes	% Changes
	2015	2014		
Shareholder loan interest	**1,191**	**1,312**	**(121)**	**(9.2%)**
Interest on Bond	**2,419**	**-**	**2,419**	**100.0%**
Bank interest	**47**	**1,385**	**(1,338)**	**(96.6%)**
Loan interest	*12*	*1,216*	*(1,204)*	(99.0%)
Overdraft and short-term loan interest	*14*	*9*	*5*	55.6%
Bank charges	*21*	*160*	*(139)*	(86.9%)
Total interest and other financial expenses	**3,657**	**2,697**	**960**	**35.6%**

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

Loan interest and Bank charges decreased following the repayment of the Term loan and the Capex Line, while interest accrued on the Bond issued in July 2014.

Result for the period. The profit for the period is €6.3 million for the three months ended March 31, 2015 compared to a profit of €6.1 million for the three months ended March 31, 2014 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements consist mainly of the following:

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

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

- cash generated from our operating activities;
- uncommitted bilateral credit lines, invoice discounting and reverse factoring; and
- the proceeds of the issuance of the Euro150 million Senior Secured Floating Rate Notes (the “Notes”) and loans from shareholders.

As of March 31, 2015, our net financial indebtedness amounted to €135.0 million compared to €123.4 million as of December 31, 2014. As of March 31, 2015, we have Cash and Cash equivalent of €17.2 million as compared to €31.3 million at December 31, 2014.

Cash flow

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

€/000	Three months ended March 31,	Three months ended March 31,
	2015	2014
Total net cash at the beginning of the period	**31,308**	**14,290**
Cash flow provided by/(used in) operating activities	(7,502)	(6,210)
Cash flow provided by/(used in) investing activities	(3,875)	(7,244)
Cash flow provided by/(used in) financing activities	(2,773)	10,411
Cash flow for the period	**(14,150)**	**(3,042)**
Total cash and cash equivalents of the period	**17,159**	**11,249**

Cash flow for the first three months ended March 31, 2015 was negative for €14.2 million compared to a negative cash flow for €3.0 million for the three months ended March 31, 2014. The main difference is related to the cash flow from financing where in the first quarter of 2014 Capex line was withdrawn for €7.0 million and total bank overdrafts was €4.0 million compare to a cash out for €2.8 million mainly related to the Coupon of the Bond in the first quarter of 2015.

The cash flow used by operating activities is related to the seasonality of the business where during the first quarter of the year the wholesale invoices to clients with deferred payment terms agreed. During the first three month of 2014 the increase of the net working capital compared to previous year is mainly related to the Receivables, in line with the increase of the volume of the Wholesale channel.

Cash flow used in investing activity is essentially related to capital expenditures for opening of new DOS as part of our retail channel expansion strategy and in small part in investment in technology.

Capital expenditures

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

€/000	For the three months ended March 31,	For the three months ended March 31,	Changes	% Change
	2015	2014		
Expansion	2,755	5,786	(3,031)	(52.4%)
Maintenance	332	596	(264)	(44.3%)
One-off	555	882	(327)	(37.1%)
Total capital expenditures	**3,642**	**7,264**	**(3,622)**	**(49.9%)**

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

- **Expansion:** includes key money and renewal paid for the new stores opened.
- **Maintenance:** principally includes expenses for operating software development and the restructuring of the existing stores.
- **One-off:** includes mainly project-related IT investments and non-recurring costs.

Operating working capital

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

€/000	As of and for the three months ended March 31,	As of and for the year ended December 31,	Changes	% Change
	2015	2014		
Inventories	45,640	59,279	(13,639)	(23.0%)
Trade Receivables	77,897	40,706	37,191	91.4%
Trade Payables	(45,205)	(55,365)	10,160	18.4%
Operating Working Capital [(1)]	**78,332**	**44,620**	**33,712**	**75.6%**

(1) Operating Working Capital is calculated as the sum of inventory, trade receivables less trade payables and client/supplier advances

Operating working capital (which represents the Net Working Capital gross of other current assets and liabilities) typically follows seasonal sales trends in our industry. Operating working capital as of March 31, 2015 was €78.3 million, increasing €33.7 million from December 31, 2014.

Inventory decrease compared to December 31, 2014 due to the seasonality of our business that generally peaks in December and June on the launch of our spring/summer collections and fall/winter collections, respectively. Compared to the same period of the previous year the inventory increase in line with our business activities.

The increase in trade receivables is due to both seasonal sales trends, wholesale sales volume is higher in the first quarter than in the fourth quarter, and to the expansion of our business activities.

The decrease in trade payable compared to the December 31, 2014 is mainly due to both seasonal purchase trends partially compensated by the expansion of our business activities.

Net financial indebtedness

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

Net financial indebtedness (€/000)	As of March 31, 2015	As of Decemeber 31, 2014
Cash and cash equivalents	17,159	31,308
Bank overdrafts	(118)	(297)
Total net cash	**17,041**	**31,011**
Bank loans-current portion (1)	(1,485)	(3,626)
Bank loans-non current portion	(570)	(751)
Bank loans	**(2,056)**	**(4,377)**
Bond	**(150,000)**	**(150,000)**
Net financial indebtedness (2)	**(135,015)**	**(123,366)**
of which:		
Net financial indebtedness-current portion	*15,556*	*27,385*
Net financial indebtedness-non-current portion	*(150,570)*	*(150,751)*
Shareholder loan	**(71,379)**	**(70,188)**
Net financial indebtedness (2)	**(206,394)**	**(193,554)**

(1) Bank loans include accrued interests on Bond, bank loans and fair value of derivative financial instruments.

(2) Net financial indebtedness is calculated as total net financial debt excluding amounts due under the Shareholders' Loan. 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.

As of March 31, 2015, our net financial indebtedness amounted to €135.0 million compared to €123.4 million as of December 31, 2014. At the end of the first quarter cash and cash equivalents are €17.2 million compared to €31.3 million at year end 2014.

Major source of financing is €150 Million Senior Secured Floating Rate Notes with maturity on July 15, 2019 and residual Bank loans for €1.3 million have maturity date within a year and quarterly amortization.

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

Shareholder loan with Mo.Da Gioielli Srl increased due to the capitalization of interests accrued during the first three months of the year with maturity on June 29, 2020.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding at March 31, 2015, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for DOS/Outlets, Showrooms and other buildings. These maturities may differ significantly from the actual maturity of these obligations.

€ in millions	Expected cash payments falling due in the year (s) ending December 31,			
	2015	2016-2019	2020 and thereafter	Total
Notes offered hereby		150.0	-	150.0
Rent and operating leases commitments for DOS and Outlets [(1)]	10.7	55.4	32.6	98.7
Rent and operating leases commitments for Showroom [(1)]	0.3	0.4	-	0.7
Rent and operating leases commitments for Civil and Industrial Buildings [(1)]	0.5	1.8	-	2.3
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes [(1)]	0.2	0.6	-	0.8
Total	**11.7**	**208.2**	**32.6**	**252.5**

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

Off-balance sheet arrangements

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

€/millions	As of March 31, 2015	As of March 31, 2014	Changes	% Change
DOS and Outlet rental guarantees	5.6	6.6	(1.0)	(15.2%)
Derivatives	1.6	(0.2)	1.8	>100
Total	**7.2**	**6.4**	**0.8**	**12.5%**

TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Unaudited Condensed Consolidated Financial Statements

INTERIM CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2015

€/000	As of March 31, 2015	As of December 31, 2014
Assets		
Intangible assets	256,858	259,513
of which goodwill	*191,981*	*194,931*
Property, plant and equipment	12,681	11,703
Other financial assets	1,276	1,304
Total intangible assets, PP&E and other financial assets	**270,815**	**272,520**
Inventories	45,640	59,279
Trade receivables	80,962	43,587
Tax receivables	2,233	4,994
Deferred tax assets	7,860	7,797
Other receivables	973	722
Cash and cash equivalents	17,159	31,308
Total current assets	**154,827**	**147,687**
Other accrued income and prepaid expenses	1,585	1,259
Issue discount	1,292	1,366
Total accrued income and prepaid expenses	**2,877**	**2,625**
Total assets	**428,519**	**422,832**

€/000	As of March 31, 2015	As of December 31, 2014
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,967	133,573
Retained earnings	(14,939)	0
Profit/(loss) for the period	6,137	(13,636)
Total Group Shareholders' equity	**126,687**	**120,459**
Equity attributable to non-controlling interests	431	269
Total Shareholders' equity	**127,118**	**120,728**
Liabilities		
Provisions for risks and charges	6,630	4,674
Deferred tax liabilities	7,986	7,768
Provisions for employee severance indemnities	698	697
Bonds	150,000	150,000
Shareholder loan	71,379	70,188
Bank loans	1,957	2,496
Client advances	689	1,263
Trade payables	45,603	55,993
Tax payables	9,354	2,519
Social security payables	763	1,169
Other payables	4,326	3,259
Accrued expenses and deferred income	2,016	2,078
Total liabilities	**301,401**	**302,104**
Total liabilities and shareholders' equity	**428,519**	**422,832**
Memorandum accounts		
Guarantees	5,631	6,573
Other memorandum accounts	48,473	22,441
Total memorandum accounts	**54,104**	**29,014**

INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2015

€/000	Three months ended March 31,	Three months ended March 31,
Consolidated Income Statement	**2015**	**2014**
Revenue	84,719	70,167
Other income and internally generated assets	1,182	540
Change in work in progress, semifinished and finished product inventories	(15,947)	(14,559)
Total revenue and income	**69,954**	**56,148**
Purchase of raw materials, goods and changes in inventory	(14,419)	(12,498)
Cost of services	(21,308)	(17,814)
Rent	(4,157)	(2,493)
Personnel costs	(7,196)	(5,311)
Depreciation and Amortization	(5,489)	(4,699)
Write-downs of trade receivables	(1,280)	(400)
Provisions	(217)	(61)
Other operating costs	(1,142)	(396)
Total operating costs	**(55,208)**	**(43,672)**
Operating profit	**14,746**	**12,476**
Financial income/(expenses)	(3,289)	(2,859)
Extraordinary income/(expenses)	(4)	(101)
Profit/(loss) before tax	**11,453**	**9,516**
Income tax	(5,146)	(3,460)
Profit/(loss) for the period	**6,307**	**6,056**
Attributable to the Group	*6,137*	*6,058*
Attributable to non-controlling interests	*170*	*(2)*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2015

€/000	Share capital	Share premium reserve	Legal reserve	Exchange gains reserve	Translation reserve	Consolidation reserve	Retained earnings	Profit/(loss) for the year	Total
As of December 31, 2013	**522**	**160,195**	**-**	**-**	**-**	**-**	**(2,090)**	**3,360**	**161,987**
Allocation of previous period profit			104	95			3,160	(3,360)	-
Dividend distribution		(26,355)					(1,445)		(27,800)
Loss for the year								(13,636)	(13,636)
Change to translation reserve					31				31
Change to consolidation reserve							(123)		(123)
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**31**	**-**	**(498)**	**(13,636)**	**120,459**
Allocation of previous period profit						(6,937)	(6,699)	13,636	-
Dividend distribution									-
Profit/(loss) for the period								6,137	6,137
Change to consolidation reserve						91			91
As of March 31, 2015	**522**	**133,840**	**104**	**95**	**31**	**(6,846)**	**(7,197)**	**6,137**	**126,687**
Total Group Shareholders' equity									**126,687**
- Capital and reserves attributable to non-controlling interests									261
- Profit/(loss) for the year attributable to non-controlling interests									170
Total equity attributable to non-controlling interests									**431**
Total Shareholders' equity									**127,118**

INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2015

	€/000	31/03/2015	31/03/2014
A	**CASH AT THE BEGINNING OF THE PERIOD**	31,308	14,290
	Net cash flow from operating activities		
	Profit/(loss) for the period	**6,307**	**6,056**
	Income taxes	5,146	3,460
	Amortization	4,906	4,294
	Depreciation	583	405
	Financial interest/(income)	2,462	1,367
	Interest on shareholder loan capitalized	1,191	1,312
	Change in bad debt provision	(54)	377
	Change in slow moving provision	(1,348)	(447)
	Change in provision for risks and charges	1,957	275
	Change in employee severance indemities	1	(8)
	Cash flow from operating activities before changes in net working capital	**21,152**	**17,092**
	Change in inventories	14,987	13,305
	Change in trade receivables	(37,322)	(31,593)
	Change in trade Payables	(10,389)	(8,519)
	Change in client advance	(574)	(933)
	Change in other payables/receivables	4,644	4,439
	Change in net working capital	**(28,654)**	**(23,301)**
B	**NET CASH FLOW FROM OPERATING ACTIVITIES**	**(7,502)**	**(6,210)**
	Net cash flow from investing activities		
	Investment in intangible assets	(2,314)	(5,971)
	Investments in property, plant and equipment	(1,561)	(1,293)
	Disposal of assets	-	21
C	**NET CASH FLOW FROM INVESTING ACTIVITIES**	**(3,875)**	**(7,244)**
	Net cash flow from financing activities		
	Bank loans received	-	7,000
	Repayment of loans	(359)	(563)
	Net financial interest paid	(2,317)	(81)
	Bank overdraft	(180)	4,056
	Change in consolidation area	83	-
D	**NET CASH FLOW FROM FINANCING ACTIVITIES**	**(2,773)**	**10,411**
E	**NET CASH FLOW FOR THE PERIOD (B+C+D)**	**(14,150)**	**(3,042)**
G	**CASH AT THE END OF THE PERIOD (A+E)**	**17,159**	**11,249**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

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

BASIS OF PRESENTATION

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

Comparative consolidated financial statements

The interim consolidated balance sheet presents amounts as of December 31, 2014, while the interim consolidated income statement presents amounts related to the three months period ended March 31, 2014, for comparative purposes.
The Interim Consolidated Financial Statements were approved by the Company’s Board of Directors on May 29, 2015.

CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Consolidation area and basis of consolidation

		(€/000)				(€/000)	
Company	Country	Net Profit/(loss)	Net Equity	Year-End	Holding	Carrying value	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	8,337	135,702	31/03/2015			
TS SHOES SRL	Italy	(152)	3,981	31/03/2015	80%	1,477	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	(25)	313	31/03/2015	90%	45	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(910)	(2,334)	31/03/2015	100%	51	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(278)	(81)	31/03/2015	100%	1,043	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(459)	(1,350)	31/03/2015	100%	5	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(352)	(1,490)	31/03/2015	100%	53	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	245	(1,183)	31/03/2015	80%	841	Line-by-line
TS SIMONA BARBIERI EAST LLC	Russia	178	(574)	31/03/2015	80%	-	Line-by-line

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

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

Basis of consolidation

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

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

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

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

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

ACCOUNTING POLICIES

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

Intangible assets

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

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

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

Amortization

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

INTANGIBLE ASSETS	PERIOD
Start up and formation expenses	5 years
Industrial patents and intellectual property rights (software licenses)	3/5 years
Trademarks	8-20 years
Goodwill	18/20 years/duration of underlying contract (residual rental duration)
Other intangible assets (leasehold improvements, finance costs, other deferred)	Duration of underlying contract (residual loan or rental duration)

Property, plant and equipment

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

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

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

Depreciation

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

PROPERTY, PLANT and EQUIPMENT	Rate %
Light buildings	10.0%
Plant and machinery	12.5%
Industrial and commercial equipment	25.0%
EDP	20%, 33.3%
Furniture and fittings	10%, 12%
Transport vehicles	20.0%
Motor vehicles	25.0%
Assets lower than Euro 516.46 (for Italy)	100.0%

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

Other financial assets

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

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

Current Assets

Inventories

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

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

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

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

Receivables

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

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value.

Provisions for risks and charges

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

Employee severance indemnities

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

Payables

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

Accrued income and prepaid expenses

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

Memorandum accounts

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

Revenues and Costs

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

Income taxes

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

- the current taxes paid or to be paid, determined in relation to the assessable income in accordance with current provisions and tax rates;
- the amount of deferred tax assets or liabilities, determined in relation to the temporary difference between the values recorded in the Consolidated Financial Statements and the corresponding fiscal values, arising or cancelled in the year.

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

Translation of amounts not denominated in Euro

The current receivables and payables in foreign currencies at the balance sheet date are adjusted to the exchange rate as of March 31, 2015. Gains and losses arising from the translation of the individual current receivables and payables are respectively credited and debited to the income statement as financial items (Item C.17 -bis). Any net gain from the translation of the foreign currency amounts, deriving from the valuation at year-end and recorded in the income statement, is recorded in a specific non-distributable reserve until the gain is realized.

Derivative instruments

The Group holds derivative financial instruments in order to hedge its exposure to interest rate and exchange rate risks.
Derivative contracts are considered hedging contracts as there is a high correlation between the technical/financial features (maturity, amount, rates) of the assets or liabilities hedged and the financial instrument and these features are

appropriately documented.
Derivative contracts which do not have the above features are considered speculative contracts and their loss in value is recognized through the income statement at the end of each year.

Use of estimates

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

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

Intangible assets

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

Accounting	31/12/2014			Changes in the year				31/03/2015		
€/000	Historical cost	Accumulated ammortization	NBV	Additions	Reclass.	Amortization	Exchange difference	Historical cost	Accumulated ammortization	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	2015	2015	31/03/2015	31/03/2015	31/03/2015
Start up and formation expenses	1,357	(541)	817	-	-	(60)	-	1,357	(600)	757
Industrial patents and intellectual property rights	4,564	(2,410)	2,153	602	2,302	(309)	-	7,467	(2,720)	4,747
Concession, licenses, trademarks and similar rights	29,307	(3,415)	25,892	12	0	(394)	41	29,360	(3,809)	25,551
Goodwill	218,165	(23,234)	194,931	-	-	(2,950)	-	218,165	(26,184)	191,981
Assets in progress and advances	2,586	-	2,586	11	(2,364)	-	(35)	197	-	197
Other intangible assets	46,074	(12,939)	33,135	1,580	41	(1,193)	64	47,757	(14,132)	33,625
Total intangible assets	**302,052**	**(42,539)**	**259,513**	**2,205**	**(22)**	**(4,906)**	**69**	**304,303**	**(47,445)**	**256,858**

Property, plant and equipment

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

Accounting	31/12/2014			Changes in the year				31/03/2015		
€/000	Historical cost	Accumulated ammortization	NBV	Additions	Reclass.	Depreciation	Exchange difference	Historical cost	Accumulated ammortization	NBV
	31/12/2014	31/12/2014	31/12/2014	2015	2015	2015	2015	31/03/2015	31/03/2015	31/03/2015
Land and buildings	30	(8)	22	-	-	(1)	-	30	(9)	21
Plant and machinery	13,126	(7,583)	5,542	475	-	(229)	-	13,601	(7,813)	5,788
Industrial and commercial equipment	1,752	(450)	1,302	87	-	(57)	(353)	1,485	(507)	978
Other tangible assets	9,219	(4,413)	4,806	725	-	(296)	455	10,399	(4,709)	5,690
Construction in progress and advances	32	-	32	173	-	-	-	205	-	205
Total tangible assets	**24,159**	**(12,455)**	**11,703**	**1,459**	**-**	**(583)**	**102**	**25,720**	**(13,038)**	**12,681**

The increase in tangible and intangible assets during the three months ended March 31, 2015, amounting to €3.6 million, was mainly related to: €2.3 million of investments made by the Parent Company for the opening of the new Boutiques of Catania, Salerno, Siena (the latter opened in April) and Soliera Outlet; €0.5 million of investments for the opening of the new store in Russia. Furthermore investments were made for about €0.5 million for the purchase and implementation of the new Oracle JD Edwards operating system. Finally investments were made for the operating software development and the restructuring of the existing stores for about €0.3 million.

Analysis of borrowing and other financial liabilities

€/000	Principal Amount	Issue price	Interest rate	Maturity date
Notes	150,000	148,500	Three-month EURIBOR + 5.875%	July 15, 2019

On July 22, 2014, Twin Set – Simona Barbieri S.p.A issued an aggregate principal amount of floating rate notes (the "Notes") of €150.0 million.
The gross proceeds from the offering of the Notes were equal to €148.5 million. The Notes will mature on July 15, 2019. Interest on notes will accrue at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 5.875%.

€/000	As of December 31, 2014	Changes in the period			As of March 31, 2015
		Repayments of capital	Repayments of interest	Capitalization of interest	
Shareholder Loan	70,188	-	-	1,191	71,379

Shareholder loan refers to an interest bearing loan provided by the Shareholder MO.DA Gioielli S.r.l. (so-called "Shareholder Loan") with maturity on June 29, 2020 and annual interest of 7%.

The following table reports a breakdown of bank loans as of March 31, 2015 and the changes during the period:

€/000	As of December 31, 2014	Changes in the year		As of March 31, 2015	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	411	-	(51)	360	29/12/2016	205	155	360	-
CARIGE	165	-	(40)	125	31/12/2015	124	0	124	-
BPER (3564210)	692	-	(76)	616	29/01/2017	306	311	617	-
BPER - SACE (2895788)	569	-	(141)	428	30/12/2015	427	0	427	-
BANCA POP. COMM.& IND.	362	-	(51)	311	21/09/2016	207	104	311	-
Total	**2,199**	**-**	**(359)**	**1,840**		**1,269**	**570**	**1,839**	**-**

Hedging instruments

As of March 31, 2015, Flexible Forward contracts for a total of Usd 56.0 million are in place to partially hedge the interest rate risk arising from the purchase of goods denominated in Us Dollars. The details and fair value of the contracts as of March 31, 2015 are shown in the following table:

Bank	Contract type	Amount (USD/000)	Operation date	Date init. util.	Maturity date	Forward Rate	Ctr (Euro/000)	Fair Value (€/000)
BPER	Flexi forward	3,000	16/10/2014	03/06/2015	30/09/2015	1.2800	2,344	445
BPER	Flexi forward	2,000	17/10/2014	03/06/2015	30/09/2015	1.2830	1,559	300
BPER	Flexi forward	5,000	27/11/2014	01/09/2015	01/12/2015	1.2500	4,000	647
BPER	Flexi forward	5,000	11/12/2014	01/09/2015	31/12/2015	1.2500	4,000	647
Unicredit	Flexi forward	5,000	16/12/2014	01/09/2015	29/12/2015	1.2537	3,988	659
Unicredit	Flexi forward	5,000	04/02/2015	01/10/2015	27/01/2016	1.1518	4,341	306
BNL	Flexi forward	3,000	03/02/2015	01/09/2015	29/12/2015	1.1460	2,618	171
Unicredit	Flexi forward	5,000	20/03/2015	01/12/2015	31/03/2016	1.0847	4,610	38
Unicredit	Flexi forward	5,000	20/03/2015	04/01/2016	31/03/2016	1.0820	4,621	26
Carisbo	Flexi forward	3,000	23/03/2015	04/01/2016	21/03/2016	1.0910	2,750	39
Unicredit	Flexi forward	5,000	23/03/2015	01/04/2016	30/06/2016	1.0925	4,577	71
BNL	Flexi forward	5,000	23/03/2015	01/06/2016	29/08/2016	1.1000	4,545	102
BNL	Flexi forward	5,000	24/03/2015	01/06/2016	29/08/2016	1.1060	4,521	126
Total		**56,000**					**48,473**	**3,577**

As of March 31, 2015, Interest Rate Swap (IRS) contract of €100 million partially hedges the interest rate risk arising from the Notes. The detail and fair value of the contract as of March 31, 2015 is shown in the following table:

€/000						
Counterparty	**Amount**	**Operation date**	**Maturity date**	**Rate**	**Floater**	**Fair Value**
Unicredit	100,000	22/07/2015	15/07/2019	0.5305%	Euribor 3M	(1,930)
Total	**100,000**					**(1,930)**

Other income

Other income and internally generated assets are composed of:

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Changes
Rental income	13	15	(2)	(13.3%)
Reimbursements	12	44	(32)	(72.7%)
Ordinary gains	1	3	(2)	(66.7%)
Contingent assets	1,005	49	956	>100
Other income	34	19	15	78.9%
Internally generated assets	117	410	(293)	(71.5%)
Total other income and internally generated assets	**1,182**	**540**	**642**	**>100**

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

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

Internally generated assets, amounting to €0.1 million mainly refer to the employee costs related to development of the new Oracle JD Edwards management software,

Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	Changes %
Current taxes	(4,991)	(3,616)	(1,375)	38.0%
Deferred taxes	(218)	107	(325)	>100
Prepaid taxes	63	48	15	31.1%
Total income tax	**(5,146)**	**(3,460)**	**(1,686)**	**48.7%**

Current taxes are as follows:

€/000	Three months ended March 31, 2015	Three months ended March 31, 2014	Changes	% Changes
IRES	(4,018)	(2,892)	(1,126)	38.9%
IRAP	(973)	(724)	(249)	34.4%
Total current taxes	**(4,991)**	**(3,616)**	**(1,375)**	**38.0%**

Income taxes relate to the Italian companies (TS Italia and TS Shoes).
Current taxes, amounting to €5.0 million at March 31, 2015, include IRES for €4.0 million (of which €3.7 million related to TS Italy, €0.3 million to TS Shoes) and IRAP for €1.0 million (of which €0.9 million related to TS Italy and €0.1 million to TS Shoes).