TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Interim Consolidated Financial Statements as of and for the 6 months ended June 30, 2015

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

The following is a discussion and analysis of the financial condition and results of operations of Twin Set – Simona Barbieri Group (Group) as of and for the six months ended June 30, 2015. This discussion should be read together with the Twin Set – Simona Barbieri Group Interim Consolidated Financial Statements as of and for the six months ended June 30, 2015 prepared in accordance with Italian GAAP and the related notes. We have condensed and renamed certain Italian GAAP line items in these statements in a manner that makes them more easily comparable to the financial information of other businesses who do not use Italian GAAP.

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

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

OVERVIEW

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

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

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

RECENT DEVELOPMENT

On July 22, 2014, Twin Set – Simona Barbieri (The “Parent Company”) issued an aggregate principal amount of floating rate notes (here follow also as the “Notes” or the “Bond”) of Euro 150.0 million.
The gross proceeds from the offering of the Notes were equal to Euro 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 six months ended June 30, 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 on April 3, 2015 was opened the first outlet in Moscow; on March 19, 2015 was signed the contract for the opening in Puerto Banus of the 5th Spanish Boutique (just opened on July 13, 2015).

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Like-for-like revenue performance	For the year ended December 31,				For the six months ended June 30,
	2011	2012 [(1)]	2013	2014	2015
Total retail (DOS and outlets)	5.2%	6.5%	7.8%	2.4%	4.3%

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

Our total like-for-like revenue performance has improved over the period under review, by 4.3% for the six months ended June 30, 2015 and by 2.4%, 7.8%, 6.5% and 5.2% for the years 2014, 2013, 2012 and 2011, respectively. Furthermore, our increased total like-for-like revenue performance was primarily driven by increased brand awareness and improving retail operations.

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 69.1% and 74.3% of Twin Set Revenue for the six months ended June 30, 2015 and June 30, 2014 respectively. Our wholesale channel is characterized by lower fixed costs than our retail channel and by variable selling commissions paid to our agents. 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	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Reported EBITDA	**19.316**	**13.565**	**5.751**	**42,4%**
Non-recurring provisions	252	305	(53)	(17,4%)
Other items	156	206	(50)	(24,3%)
Adjusted EBITDA	**19.724**	**14.076**	**5.648**	**40,1%**
Adjusted EBITDA Margin	*16,6%*	*14,4%*		

As shown in the table above, our Adjusted EBITDA reached Euro 19.7 million, showing an increase of Euro 5.6 million (+40.1%) compared to the same period of 2014, mainly due to the expansion in Twin Set Revenue volume.

Adjusted Ebitda Margin is 16.6% for the six months ended June 30, 2015 increasing 2.2 percentage points (p.p) compared to the same period of 2014. This is primarily due to the increase in Twin Set revenue and as results of our strategy to focus on the current DOS network in order to improve efficiency and increase profitability after 2 years of heavy investments in the retail expansion.

Non-recurring provision, both for the six months ended June 30, 2015 and June 30, 2014, relates mainly to provision for disputes with former agents.
Other items include mainly bank service costs (Euro 0.2 million) that, according to Italian GAAP, are classified into the cost of services line item rather than in financial (income)/expense.

RESULTS OF OPERATIONS

Six months ended June 30, 2015 of Twin Set compared to the six months ended June 30, 2014 of Twin Set

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

€/000 Consolidated Income Statement	Six months ended June 30, 2015	% of revenue	Six months ended June 30, 2014	% of revenue	Change	% Change
Revenue	120,422	*100.0%*	98,972	*100.0%*	21,450	*21.7%*
Other income and internally generated assets	1,872	*1.6%*	1,260	*1.3%*	612	*48.6%*
Change in work in progress, semifinished and finished product inventories	584	*0.5%*	3,227	*3.3%*	(2,643)	*(81.9%)*
Purchase of raw materials, goods and changes in inventory	(40,860)	*(33.9%)*	(38,375)	*(38.8%)*	(2,485)	*6.5%*
Cost of services	(35,703)	*(29.6%)*	(32,928)	*(33.3%)*	(2,775)	*8.4%*
Rent	(8,576)	*(7.1%)*	(5,422)	*(5.5%)*	(3,154)	*58.2%*
Personnel costs	(14,961)	*(12.4%)*	(11,456)	*(11.6%)*	(3,505)	*30.6%*
Depreciation and amortization	(11,219)	*(9.3%)*	(9,795)	*(9.9%)*	(1,424)	*14.5%*
Write-downs of trade receivables	(1,585)	*(1.3%)*	(700)	*(0.7%)*	(885)	>100%
Provisions	(177)	*(0.1%)*	(226)	*(0.2%)*	49	*(21.7%)*
Other operating costs	(1,700)	*(1.4%)*	(786)	*(0.8%)*	(914)	>100%
Operating profit	**8,097**	***6.7%***	**3,771**	***3.8%***	**4,326**	***>100%***
Financial income/(expenses)	(7,458)	*(6.2%)*	(5,825)	*(5.9%)*	(1,633)	*28.0%*
Extraordinary income/(expenses)	(52)	*(0.0%)*	(591)	*(0.6%)*	539	*(91.2%)*
Profit/(loss) before tax	**587**	***0.5%***	**(2,645)**	***(2.7%)***	**3,232**	***<100%***
Income tax	(3,227)	*(2.7%)*	(1,463)	*(1.5%)*	(1,764)	*>100%*
Profit/(loss) for the period	**(2,640)**	***(2.2%)***	**(4,108)**	***(4.2%)***	**1,468**	***(35.7%)***
Net profit attributable to:						
Owners of the Group	(2,714)	*(2.3%)*	(3,896)	*(3.9%)*	1,182	*(30.3%)*
Non controlling interest	74	*0.1%*	(212)	*(0.2%)*	286	<100%
Reported EBITDA	**19,316**	**16.0%**	**13,565**	**13.7%**	**5,751**	**42.4%**

Revenue. Revenue increased by Euro 21.5 million, or 21.7%, to Euro 120.4 million for the six months ended June 30, 2015 from Euro 99.0 million for the six months ended June 30, 2014. This increase was due to both wholesale and retail channel growth distributed across our domestic and international markets.

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

Breakdown of revenue by distribution channel (€/000)	For the six months ended June 30, 2015	% of Twin Set Revenue	For the six months ended June 30, 2014 [(1)]	% of Twin Set Revenue	Change	% Change
Wholesale	82,023	69.1%	72,717	74.3%	9,306	12.8%
Retail (including on line)	36,757	30.9%	25,105	25.7%	11,652	46.4%
Twin Set Revenue	**118,780**	**100%**	**97,822**	**100%**	**20,958**	**21.4%**
Other revenue [(2)]	1,642		1,150		492	42.8%
Revenue	**120,422**		**98,972**		**21,450**	**21.7%**

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

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

Wholesale

We have maintained and expanded our wholesale distribution channel in Italy and internationally. This channel consists of apparel doors and specialty doors operated by third parties that sell our merchandise along with products from other retailers. Specialty doors are mixed retail apparel points of sale where specific product lines, such as Beachwear/Lingerie, Girl and Girl Shoes are sold.

Wholesale revenue increased by Euro 9.3 million, or 12.8%, to Euro 82.0 million for the six months ended June 30, 2015 from Euro 72.7 million for the six months ended June 30, 2014. This increase was primarily due to increased sales abroad, where wholesale revenue increased by Euro 7.8 million, or 32.2%, compared to the same period in 2014. The franchising contribution amounts to Euro 2.3 million, with an increase of Euro 1.5 million in comparison with the same period of last year. Also wholesale revenue in Italy performed well with an increase of Euro 1.5 million, or 3.2%, compared with the same period in 2014. This figures confirm the strength of the international market penetration strategy.

Retail (including online)

Retail revenue increased by Euro 11.7 million, or 46.4%, to Euro 36.8 million for the six months ended June 30, 2015, from Euro 25.1 million for the six months ended June 30, 2014. This increase was primarily attributable to the expansion of our retail network with 15 DOS and 4 Outlet opened in the last 12 months. Like-for-like revenue performance for the six months ended June 30, 2015 as compared to December 31, 2014 also had a good performance increasing by 4.3%. Online channel sales also contributed to retail channel results improving its performance by Euro 1.0 million or 58.6% compared with the same period in 2014.

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

Retail points of sales	As of June 30, 2015		As of June 30, 2014	
	DOS	Outlet	DOS	Outlet
Italy	31	12	28	10
Outside of Italy	19	3	7	1
Total retail point of sale	**50**	**15**	**35**	**11**

During the period under review, our retail points of sale network expanded from 46 retail points of sale as of June 30, 2014 to 65 retail points of sale as of June 30, 2015 (50 DOS and 15 outlets).

In the first half of 2015, and in line with our plan, we opened new retail point of sales in Italy (Salerno, Catania, Siena, Milan Central Station[1] and a factory store in Carpi), Russia (Mosca GUM and Mosca Outlet) and Spain (Puerto Banus).

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

Retail points of sales openings	For the six months ended June 30, 2015		For the six months ended June 30, 2014	
	DOS	Outlet	DOS	Outlet
Italy	4	1	1 (2)	-
Outside of Italy	2	1	5	1
Total retail point of sale	**8**		**7**	

[1] The Milan Central Station is a temporary store opened to exploit the Universal Exposition (Expo) being hosted by Milan

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

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

Breakdown of retail revenue by sub-channel (€/000)	For the six months ended June 30,	For the six months ended June 30,	Change	% Change
	2015	2014		
DOS	26,606	17,791	8,815	49.5%
Outlet	7,440	5,604	1,836	32.8%
Online	2,711	1,710	1,001	58.5%
Retail Revenue	**36,757**	**25,105**	**11,652**	**46.4%**

During the periods under review, the growth of our retail channel revenue was driven primarily by the development of our DOS network which contributed Euro 26.6 million in revenue for the six months ended June 30, 2015. DOS revenue increased by Euro 8.8 million, or 49.5% compared with the same period in 2014. We also invested in our outlet store network, which contributed Euro 7.4 million in revenue in the first half of 2015, compared to Euro 5.6 million in the same period of 2014. In addition, our online sub-channel contributed Euro 2.7 million in revenue for the first half of 2015, compared to Euro 1.7 million for the first half of 2014, due to our increased online customer base and web-based marketing initiatives.

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

Breakdown of revenue by geography (€/000)	For the six months ended June 30,	For the six months ended June 30,	Change	% Change
	2015	2014 [(1)]		
Italy	76,687	71,282	5,405	7.6%
Benelux	7,991	6,436	1,555	24.2%
Spain	7,747	3,949	3,798	96.2%
France	4,330	2,452	1,878	76.6%
Russia	6,263	2,823	3,440	>100%
Germany	4,743	2,318	2,425	>100%
Other countries	11,019	8,562	2,457	28.7%
Twin Set Revenue	**118,780**	**97,822**	**20,958**	**21.4%**
Other revenue [(2)]	1,642	1,150	492	42.8%
Revenue	**120,422**	**98,972**	**21,450**	**21.7%**

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

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

Italy

Revenue generated in Italy increased by Euro 5.4 million, or 7.6%, to Euro 76.7 million for the six months ended June 30, 2015, from Euro 71.3 million for the six months ended June 30, 2014. The growth was mainly due to the Retail channel, which increase by Euro 3.8 million, but also the Wholesale channel contributed with an increase of Euro 1.5 million.

International

Compared to the six months ended June 30, 2014 revenue generated outside of Italy increased by 15.6 million, or 58.6%. This result was due to the retail international expansion (Russia 5 stores, Spain 4 stores, Germany 4 stores and Benelux 1 store – all opened between July 2014 and June 2015) contributing to the growth together with an increasing penetration of our new lines in the wholesale channel.

The table below sets forth our revenue by product line.

Breakdown of revenue by product line (€/000)	For the six months ended June 30,	For the six months ended June 30,	Change	% Change
	2015	2014 [(1)]		
TS Main	56,360	46,743	9,617	20.6%
Beachwear/Lingerie	15,709	12,184	3,525	28.9%
Girl	10,035	8,362	1,673	20.0%
Jeans	11,060	7,868	3,192	40.6%
Accessories/Bags	7,244	7,345	(101)	(1.4%)
Shoes	5,959	5,480	479	8.7%
Le Coeur	6,175	3,938	2,237	56.8%
Scee	5,438	4,960	478	9.6%
Other	800	942	(142)	(15.1%)
Twin Set Revenue	**118,780**	**97,822**	**20,958**	**21.4%**
Other revenue [(2)]	1,642	1,150	492	42.8%
Revenue	**120,422**	**98,972**	**21,450**	**21.7%**

(1) In comparison with the Financial Statements published as of June 30, 2014, sample revenue was reclassified in other revenue in order to have comparable data with those as of June 30, 2015.
(2) Other revenue in 2014 and 2015 relates primarily to sales to third parties of samples and raw materials not used for internal purposes

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 Euro 5.1 million, or 14.6%, to Euro 40.3 million for the six months ended June 30, 2015 from Euro 35.1 million for the six months ended June 30, 2014. As a percentage of Revenue, this line item decreased by 2.1 percentage points, to 33.4% in the six months of 2015, from 35.5% in the six months ended June 30, 2014. This decrease was primarily due to a change in the channel and product mix and, to a lesser extent, to a more efficient supply chain.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Raw materials, supplementary materials, consumables and goods	41,713	38,097	3,616	9.5%
Change in inventories of raw materials, supplementary materials, consumables and goods	(853)	278	(1,131)	>100%
Purchase of raw materials, goods and changes in inventories	**40,860**	**38,375**	**2,485**	**6.5%**
Change in work in progress, semi-finished and finished product inventories	(584)	(3,227)	2,643	(81.9%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**40,276**	**35,148**	**5,128**	**14.6%**
% of Revenue	*33.4%*	*35.5%*	-	-

Cost of services. Cost of services increased by Euro 2.8 million, or 8.4%, to Euro 35.7 million for the period ended June 30, 2015, from Euro 32.9 million in the same period of 2014. As a percentage of revenue, cost of services compared to the same period last year decreased by 3.7 percentage points. This was due to the more careful management of operating costs, which started in the second half of 2014 and continued in the period under review. The table below sets forth the breakdown of costs of services for the six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Agent commissions	8,121	6,179	1,942	31.4%
Marketing and advertising	5,827	6,894	(1,067)	(15.5%)
External works	7,767	7,725	42	0.5%
Logistics and transport	6,475	5,567	908	16.3%
Administrative	2,362	1,994	368	18.5%
Travelling expenses	609	768	(159)	(20.7%)
Other service costs	4,542	3,801	741	19.5%
Total cost of services	**35,703**	**32,928**	**2,775**	**8.4%**
% of Revenue	*29.6%*	*33.3%*		

The 8.4% increase in costs of services for the six months ended June 30, 2015 was mainly attributable to an increase in agent commissions, logistics and transportation, administrative and other service costs for 31.4%, 16.3%, 18.5% and 19.5% respectively, but partially offset by the decrease in marketing and advertising expenses (-15.5%). Agent commissions increased more than proportionally to sales in the wholesale channel due to higher commissions paid to the agents on new product lines and agents operating in the international markets. Logistics and transportation costs increased to Euro 6.5 million, primarily as a result of the revenue growth and the international retail operations. Administrative expenses increased due to the setting up of central administrative functions to support the Company growth and international retail expansion. The decrease of Marketing and advertising for 15.5% is mainly due to timing effect.

Rent. Rent increased by Euro 3.2 million, or 58.2%, to Euro 8.6 million for the period ended June 30, 2015 from Euro 5.4 million for the same period of 2014. The rise in rent was primarily due to the opening of 19 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 increase in "Rent expenses for headquarters" is mainly due to the fact that at the end of 2Q 2014 were signed two lease contracts for TS East and TS Shoes headquarters.
Rent show an increase in term of percentage of revenue due to the international expansion where costs are higher in comparison with domestic market. Furthermore the costs are fully incurred whereas sales are in a development stage.

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

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Rent expenses for shop, outlet and showroom	7,697	4,804	2,893	60.2%
Rent expenses for headquarters	586	424	162	38.2%
Other rent expenses	293	194	99	51.0%
Total rent	**8,576**	**5,422**	**3,154**	**58.2%**
% of Revenue	*7.1%*	*5.5%*		

Personnel costs. Personnel costs increased by Euro 3.5 million, or 30.6%, to Euro 15.0 million in the first half of 2015 from Euro 11.5 million for the same period of 2014. As a percentage of revenue, personnel costs increased by 0.8 p.p. to 12.4% for the period ended June 30, 2015 from 11.6% for the same period of 2014, mainly due to the opening of the new point of sales, which required additional retail employees and further support from the headquarter to handle the increased business volume.

The table below sets forth the breakdown of personnel costs for the six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Wages and salaries	11,200	8,435	2,765	32.8%
Social security contributions	3,139	2,475	664	26.8%
Employee severance indemnities	622	545	77	14.1%
Other costs	-	1	(1)	(100.0%)
Total personnel costs	**14,961**	**11,456**	**3,505**	**30.6%**
% of Revenue	*12.4%*	*11.6%*		

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

Employees number	As of June 30, 2015		As of June 30, 2014		Changes	
	Italy	Overseas	Italy	Overseas	Italy	Overseas
Senior Executives	7	1	6	1	1	-
Managers	16	3	16	-	-	3
Clerical/administrative staff	230	7	201	11	29	(4)
Workers	57	2	65	-	(8)	2
Retail staff	306	167	278	43	28	124
Total employees number	**616**	**180**	**566**	**55**	**50**	**125**
Combined total employees (Italy and abroad)	**796**		**621**		**175**	

Amortization and depreciation. Amortization and depreciation increased by Euro 1.4 million to Euro 11.2 million for the first half 2015 from Euro 9.8 million for the first half 2014. The increase in amortization and depreciation for the period ended June 30, 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 six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Amortization of intangible fixed assets	10,000	8,863	1,137	12.8%
Depreciation of tangible fixed assets	1,219	932	287	30.8%
Total amortization and depreciation	**11,219**	**9,795**	**1,424**	**14.5%**
% of Revenue	*9.3%*	*9.9%*		

Operating profit. Operating profit increased by Euro 4.3 million, to Euro 8.1 million for the period ended June 30, 2015 from Euro 3.8 million for the same period of 2014. As a percentage of revenue, operating profit increased by 2.9 percentage points to 6.7% in 2015 from 3.8% in the same period of 2014.

This result is primarily due to the higher sales volume, to a more efficient supply chain and to a better management of operating costs.

Financial income/(expenses). Financial expenses increased by Euro 1.6 million to Euro 7.5 million in the first six months of 2015 from Euro 5.8 million in the same period of 2014. The increase was primarily due to the interests paid on Euro 150 million Senior Secured Floating Rate Notes issued on July 22, 2014.

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

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Other financial income	8	19	(11)	(57.9%)
Interest and other financial expenses	(7,361)	(5,565)	(1,796)	32.3%
Foreign exchange gains and losses	(105)	(279)	174	(62.4%)
Total financial income and expenses	**(7,458)**	**(5,825)**	**(1,633)**	**28.0%**
% of Revenue	*(6.2%)*	*(5.9%)*		

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

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Shareholder loan interest	**2,395**	**2,694**	**(299)**	**(11.1%)**
Bank interest	**122**	**2,871**	**(2,749)**	**100%**
Loan interest	*22*	*2,518*	*(2,496)*	(99.1%)
Overdraft and others bank interest	*17*	*56*	*(39)*	(69.6%)
Financials Charges	*83*	*297*	*(214)*	(72.1%)
Interest on Bond	**4,844**	**-**	***4,844***	**100%**
Total interest and other financial expenses	**7,361**	**5,565**	**1,796**	**32.3%**

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

Income tax. Income tax increased by Euro 1.8 million to Euro 3.2 million for the period 2015 from Euro 1.5 million for the same period in 2014 due to the higher Result before taxes realized in the period.

Result for the period. The loss for the period is Euro 2.6 million for the six months ended June 30, 2015 compared to a loss of Euro 4.1 million for the six months ended June 30, 2014 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements consist mainly of the following:

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

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

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

Cash flow

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

€/000	Six months ended June 30,	Six months ended June 30,
	2015	2014
Total net cash at the beginning of the period	**31,308**	**14,290**
Cash flow provided by/(used in) operating activities	9,582	9,907
Cash flow provided by/(used in) investing activities	(6,040)	(18,093)
Cash flow provided by/(used in) financing activities	(5,688)	2,085
Cash flow for the period	**(2,146)**	**(6,101)**
Total cash and cash equivalents of the period	**29,162**	**8,189**

Cash flow for the first six months ended June 30, 2015 was negative for Euro 2.1 million compared to a negative cash flow for Euro 6.1 million for the six months ended June 30, 2014.
The cash flow provided by operating activities is in line with the same period of last year, notwithstanding the growth of the business but consistent with the growth phase of the Company.
Cash flow used in investing activities is related mainly to the capital expenditure for opening new DOS and in small part for investments in technology. In the first six months of 2015 capital expenditure for opening new DOS was trimmed compared to the same period of the last year as part of our strategy to be more focused on the current retail network in order to improve efficiency and increase profitability after 2 years of heavy investments in the network expansion.
The cash flow used by financing activities in the first six month of 2015 is mainly related to the payment of the Coupon of the Bond and in small part to the repayment of minor bank loans; in the same period of last year, the cash flow by financing activities was positive thanks to the Capex withdrawn and banks overdraft.

Capital expenditures

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

€/000	For the six months ended June 30,	As of December 31,	Change	% Change
	2015	2014		
Expansion	4,337	21,444	(17,107)	(79.8%)
Maintenance	902	1,729	(827)	(47.8%)
One-off	922	9,258	(8,336)	(90.0%)
Acquisition-related	-	1,610	(1,610)	(100.0%)
Total capital expenditures	**6,161**	**34,041**	**(27,880)**	**(81.9%)**

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.

The category "One-off" includes mostly IT investments and specifically the project of a Group ERP system. Furthermore the growth and international expansion plan of the Group created the need to study an action plan in order to improve the information system, designed to support and strengthen the company growth process and operations management. It was therefore developed an integrated system for managing Group's data, both technical and economic.

Operating working capital

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

€/000	As of and for the six months ended June 30,	As of and for the year ended December 31,	Change	% Change
	2015	2014 [1]		
Inventories	60,643	59,279	1,364	2.3%
Trade Receivables	46,725	40,706	6,019	14.8%
Trade Payables	(48,345)	(55,365)	7,020	12.7%
Operating Working Capital [2]	**59,023**	**44,620**	**14,403**	**32.3%**

(1) The amounts as of December 31, 2014 were reclassified to make them comparable with those as of June 30, 2015

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

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 June 30, 2015 was Euro 59.0 million, increasing Euro 14.4 million from December 31, 2014.

Final inventories, net of the relative obsolescence provision, increased by 2.3% compared to the same period of the previous year, in line with our business activities.

The increase in trade receivables is mainly due to the expansion of our business activities and partially to the timing of product shipment.

The decrease in trade payables compared to December 31, 2014 is mainly due to the lower investments in capital expenditure during the first half of 2015 in comparison with last year, to some timing difference in payments and to the effect of operating cost saving.

Net financial indebtedness

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

Net financial indebtedness (€/000)	As of June 30, 2015	As of Decemeber 31, 2014
Cash and cash equivalents	29,162	31,308
Bank overdrafts	(239)	(297)
Total net cash	**28,923**	**31,011**
Bank loans-current portion [1]	(2,935)	(3,626)
Bank loans-non current portion	(389)	(751)
Bank loans	**(3,324)**	**(4,377)**
Bond	**(150,000)**	**(150,000)**
Net financial indebtedness [2]	**(124,401)**	**(123,366)**
of which:		
Net financial indebtedness-current portion	*25,988*	*27,385*
Net financial indebtedness-non-current portion	*(150,389)*	*(150,751)*

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

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

As of June 30, 2015, our net financial indebtedness amounted to Euro 124.4 million compared to Euro 123.4 million as of December 31, 2014. At the end of the first six months of 2015, cash and cash equivalents are Euro 29.2 million compared to Euro 31.3 million at year end 2014.

Major source of financing is Euro 150.0 million Senior Secured Floating Rate Notes with maturity on July 15, 2019 and residual Bank loans for Euro 1.45 million and accrued interests on bond for Euro 1.9 million.

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

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes the commitments and payments outstanding at June 30, 2015, on an as-adjusted basis after giving effect to the issuance of the Notes in July 2014 and the use of proceeds thereof. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations related to rent and operating leases for DOS/Outlets, Showrooms and other buildings. 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)	7.8	55.5	32.7	96.0
Rent and operating leases commitments for Showroom (1)	0.1	0.4	-	0.5
Rent and operating leases commitments for Civil and Industrial Buildings (1)	0.3	1.8	-	2.1
Rent and operating leases commitments related to Tessitura Sidoti and TS Shoes (1)	0.1	0.6	-	0.7
Total	**8.3**	**208.3**	**32.7**	**249.3**

(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 June 30, 2015	As of December 31, 2014	Change	% Change
DOS and Outlet rental guarantees	5.80	6.58	(0.78)	(11.9%)
Derivatives	(0.04)	(0.24)	0.20	(83.3%)
Total	**5.76**	**6.34**	**(0.58)**	**(9.1%)**

Subsequent Events

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

TWIN-SET

SIMONA BARBIERI

TWIN SET –SIMONA BARBIERI S.p.A.

Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

€/000	As of June 30, 2015	As of December 31, 2014 [1]
Assets		
Intangible assets	253,451	259,513
of which goodwill	*189,319*	*194,931*
Property, plant and equipment	12,669	11,703
Other financial assets	1,202	1,304
Total intangible assets, PP&E and other financial assets	**267,322**	**272,520**
Inventories	60,643	59,279
Trade receivables	50,065	43,587
Tax receivables	2,694	4,994
Deferred tax assets	8,796	7,797
Other receivables	634	722
Cash and cash equivalents	29,162	31,308
Total current assets	**151,994**	**147,687**
Other accrued income and prepaid expenses	1,159	1,259
Issue discount	1,217	1,366
Total accrued income and prepaid expenses	**2,376**	**2,625**
Total assets	**421,692**	**422,832**

€/000	As of June 30, 2015	As of December 31, 2014
Liabilities and Shareholders' equity		
Shareholders' equity		
Share capital	522	522
Reserves	134,019	134,071
Retained earnings	(14,132)	(498)
Profit/(loss) for the period	(2,714)	(13,636)
Total Group Shareholders' equity	**117,695**	**120,459**
Equity attributable to non-controlling interests	323	269
Total Shareholders' equity	**118,018**	**120,728**
Liabilities		
Provisions for risks and charges	6,676	4,674
Deferred tax liabilities	7,578	7,768
Provisions for employee severance indemnities	704	697
Bonds	150,000	150,000
Shareholder loan	72,583	70,188
Bank loans	1,717	2,496
Client advances	967	1,263
Trade payables	48,358	55,993
Tax payables	7,014	2,519
Social security payables	868	1,169
Other payables	5,171	3,259
Accrued expenses and deferred income	2,038	2,078
Total liabilities	**303,674**	**302,104**
Total liabilities and shareholders' equity	**421,692**	**422,832**
Memorandum accounts		
Guarantees	5,769	6,573
Other memorandum accounts	46,914	22,441
Total memorandum accounts	**52,683**	**29,014**

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

CONSOLIDATED INCOME STATEMENT

€/000 Consolidated Income Statement	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue	120,422	98,972
Other income and internally generated assets	1,872	1,260
Change in work in progress, semifinished and finished product inventories	584	3,227
Total revenue and income	**122,878**	**103,459**
Purchase of raw materials, goods and changes in inventory	(40,860)	(38,375)
Cost of services	(35,703)	(32,928)
Rent	(8,576)	(5,422)
Personnel costs	(14,961)	(11,456)
Depreciation and Amortization	(11,219)	(9,795)
Write-downs of trade receivables	(1,585)	(700)
Provisions	(177)	(226)
Other operating costs	(1,700)	(786)
Total operating costs	**(114,781)**	**(99,688)**
Operating profit	**8,097**	**3,771**
Financial income/(expenses)	(7,458)	(5,825)
Extraordinary income/(expenses)	(52)	(591)
Profit/(loss) before tax	**587**	**(2,645)**
Income tax	(3,227)	(1,463)
Profit/(loss) for the period	**(2,640)**	**(4,108)**
Attributable to the Group	*(2,714)*	*(3,896)*
Attributable to non-controlling interests	*74*	*(212)*

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€/000	Share capital	Share premium reserve	Legal reserve	Foreign Exchange gains reserve	Translation reserve	Retained earnings SPA	Retained earnings OTHERS	Profit/(loss) for the year	Total
As of December 31, 2013	**522**	**160,195**	**-**	**-**	**-**	**(2,090)**	**-**	**3,360**	**161,987**
Allocation of previous period profit			104	95		3,535	(375)	(3,360)	-
Dividend distribution		(26,355)				(1,445)			(27,800)
Loss for the year								(13,636)	(13,636)
Change to translation reserve					31				31
Change to consolidation reserve							(123)		(123)
As of December 31, 2014	**522**	**133,840**	**104**	**95**	**31**	**-**	**(498)**	**(13,636)**	**120,459**
Allocation of previous period profit						(7,197)	(6,437)	13,636	-
Dividend distribution									-
Profit/(loss) for the period								(2,714)	(2,714)
Change to consolidation reserve					(51)				(51)
As of June 30, 2015	**522**	**133,840**	**104**	**95**	**(20)**	**(7,197)**	**(6,935)**	**(2,714)**	**117,695**
Total Group Shareholders' equity									**117,695**
- Capital and reserves attributable to non-controlling interests									249
- Profit/(loss) for the year attributable to non-controlling interests									74
Total equity attributable to non-controlling interests									**323**
Total Shareholders' equity									**118,018**

CONSOLIDATED CASH FLOW STATEMENT

€/000	30/06/2015	30/06/2014
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31,308	14,290
Net cash flow from operating activities		
Profit/(loss) for the period	**(2,640)**	**(4,108)**
Income taxes	3,227	1,463
Amortization	10,000	8,863
Depreciation	1,219	932
Financial interest/(income)	4,958	2,907
Interest on shareholder loan capitalized	2,395	2,638
Gains/losses of disposal	(2)	30
Change in bad debt provision	(168)	295
Change in slow moving provision	2,569	1,624
Change in provision for risks and charges	2,002	(779)
Change in employee severance indemities	7	13
Cash flow from operating activities before changes in net working capital	**23,567**	**13,878**
Change in inventories	(3,933)	(4,374)
Change in trade receivables	(6,310)	(3,495)
Change in trade Payables	(7,635)	1,334
Change in client advance	(296)	(423)
Change in other payables/receivables	3,573	2,410
Change in suppliers advance	616	577
Change in net working capital	**(13,985)**	**(3,971)**
NET CASH FLOW FROM OPERATING ACTIVITIES	**9,582**	**9,907**
Net cash flow from investing activities		
Investment in intangible assets	(3,959)	(12,336)
Investments in property, plant and equipment	(2,202)	(3,820)
Disposal of assets	19	76
Consideration paid for business combination	-	(920)
Investments in other financial assets	102	(1,093)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(6,040)**	**(18,093)**
Net cash flow from financing activities		
Bank loans received	-	7,000
Repayment of loans	(720)	(4,479)
Other changes in net equity	(50)	-
Net financial interest paid	(4,859)	(2,907)
Bank overdraft	(59)	2,471
NET CASH FLOW FROM FINANCING ACTIVITIES	**(5,688)**	**2,085**
NET CASH FLOW FOR THE PERIOD	**(2,146)**	**(6,101)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**29,162**	**8,189**

EXPLANATORY NOTES

GENERAL INFORMATION

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

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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

Standards used to prepare the financial statements

The Interim Consolidated Financial Statements have been prepared in accordance with OIC 30 – *Interim Financial Statements* and should be read in conjunction with the Twin Set – Simona Barbieri annual consolidated financial statements for the year ended December 31, 2014 (the "Twin Set – Simona Barbieri Consolidated Financial Statements at December 31, 2014"), which have been prepared in accordance with General Accepted Accounting Principles in Italy (Italian GAAP) The accounting policies adopted are consistent with those used at December 31, 2014, and are described in following paragraphs.

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

Structure of financial statements and basis of presentation

The Interim Consolidated Financial Statements include the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the explanatory notes.
The consolidated balance sheet presents amounts as of December 31, 2014, while the consolidated income statement presents amounts related to the six months period ended June 30, 2014, for comparative purposes.
All amount shown in the Interim Consolidated Financial Statements are in thousands of Euro, unless otherwise specified.
The Interim Consolidated Financial Statements were approved by the Company's Board of Directors on August 28, 2015.

CONSOLIDATION AREA AND BASIS OF CONSOLIDATION

Consolidation area and basis of consolidation

Company	Country	Net Profit/(loss) (€/000)	Net Equity (€/000)	Year-End	Holding	Carrying value (€/000)	Consolidation method
TWIN SET - SIMONA BARBIERI S.p.A.	Italy	402	127,768	30/06/2015			
TS SHOES SRL	Italy	1,120	5,253	30/06/2015	80%	1,477	Line-by-line
TESSITURA SIDOTI S.R.L.	Italy	8	346	30/06/2015	90%	45	Line-by-line
TS SIMONA BARBIERI DEUTSCHLAND GMBH	Germany	(1,417)	(840)	30/06/2015	100%	2,051	Line-by-line
TS SIMONA BARBIERI BELGIUM BVBA	Belgium	(380)	567	30/06/2015	100%	1,793	Line-by-line
TS SIMONA BARBIERI SPAIN S.L.	Spain	(706)	(198)	30/06/2015	100%	1,405	Line-by-line
TS SIMONA BARBIERI FRANCE S.A.	France	(611)	(149)	30/06/2015	100%	1,653	Line-by-line
TS SIMONA BARBIERI DUTCH HOLDING B.V.	Holland	261	(1,167)	30/06/2015	80%	841	Line-by-line
TS SIMONA BARBIERI EAST LLC	Russia	(240)	(1,047)	30/06/2015	80%	-	Line-by-line

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

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

Basis of consolidation

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

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

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

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

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

ACCOUNTING POLICIES

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

Intangible assets

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

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

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

Amortization

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

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

Property, plant and equipment

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

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

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

Depreciation

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

PROPERTY, PLANT AND EQUIPMENT	Rate %
Light buildings	10%
Plant & machinery	12.5%, duration of underlying contract (residual rental duration)
Industrial & commercial equipment	20%, 25%
EDP	20%, 33.3%
Furniture & fittings	10%, 12%
Transport vehicles	20%
Motor vehicles	25%
Assets lower than Euro 516 (for Italy)	100%

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

Other financial assets

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

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

Current Assets

Inventories

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

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

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

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

Receivables

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

Cash and cash equivalents

Cash and cash equivalents are recorded at their nominal value.

Provisions for risks and charges

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

Employee severance indemnities

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

Payables

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

Accrued income and prepaid expenses

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

Memorandum accounts

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

Revenues and Costs

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

Income taxes

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

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

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

Translation of amounts not denominated in Euro

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

Derivative instruments

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

Use of estimates

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

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fixed assets

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

Intangible assets

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

ACCOUNT	As of December 31, 2014			Changes in the year				As of June 30, 2015		
(€/000)	Historical cost	Accumulated amortization	Net book value	Additions 30/06/2015	Reclass. 30/06/2015	Amortization 2015	Exchange difference	Historical cost	Accumulated amortization	Net book value
Start up and formation expenses	1,357	(541)	817	18	-	(113)	-	1,375	(654)	721
Industrial patents and intellectual property rights	4,564	(2,410)	2,153	658	2,302	(746)	1	7,524	(3,157)	4,367
Concessions, licenses, trademarks and similar rights	29,307	(3,415)	25,892	56	-	(788)	-	29,363	(4,203)	25,159
Goodwill	218,165	(23,234)	194,931	298	-	(5,910)	-	218,463	(29,144)	189,319
Assets in progress and advances	2,586	-	2,586	243	(2,484)	-	4	349	-	349
Other intangible assets	40,987	(7,852)	33,135	2,589	162	(2,443)	92	43,831	(10,295)	33,536
Total intangible assets	**296,965**	**(37,452)**	**259,513**	**3,862**	**(20)**	**(10,000)**	**97**	**300,904**	**(47,453)**	**253,451**

The Start up and formation expenses, amounting to Euro 721 thousand, include incorporation expenses and formation expenses incurred by the Parent Company and its subsidiaries.

The account "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 of the period, amounting to Euro 2.960 thousand, principally concern, for Euro 2.953 thousand costs incurred by the Parent Company for IT consultancy, of which Euro 2.746 thousand (Euro 2,302 thousand related to investments made last year), for the purchase and implementation of the new Oracle JD Edwards operating system. The increase includes also: Euro 131 thousand for the implementation of the MPsoft operating system, Euro 22 thousand for the introduction of the "PLM" software, designed for the management of product technical information, Euro 36 thousand of costs incurred for the Shopping On line project, Euro 16 thousand for the analysis, application and customization of the retail channel software "Store 2" in the new stores opened in 2015 and the installation of StoreWeb

in the franchised stores (this software enables immediate consultation of the sales performance of each individual article).

The account “Concessions, licenses, trademarks and similar rights” reflects at June 30, 2015 the net book value of brands “TWIN - SET Simona Barbieri” and “SCEE by TWIN - SET”, in relation to which the Parent Company made investments – Euro 56 thousand - for maintenance and/or new registrations of existing trademarks.
This account includes also the allocation of purchase price excess arising from the merger of Light Force and Fuori dal Sacco 2 as described in details on previous yeas Twin Set – Simona Barbieri financial statements (the “Merge”) for Euro 27,380 thousand (“premium paid”) to the main trademark “TWIN - SET Simona Barbieri”, which is amortized on a straight-line basis over twenty years (the net book value at 30 June, 2015 of TWIN-SET Simona Barbieri brand amounting to Euro 24,596 thousand).

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

€/000	Initial historical cost	Revaluation L. 266/2005	Cumulative increases	Allocation premium price	Historical cost as of June 30, 2015
“Twin Set - Simona Barbieri” trademark	8	1,000	211	27,380	28,599

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

The account Goodwill, amounting to Euro 189,319 thousand, refers for Euro 178,080 thousand, the net book value of goodwill resulting from the allocation of premium paid arising from the Merge, amortized on a straight-line basis over twenty years. The account also includes the costs incurred by the Parent Company with reference to the commercial goodwill acquired within the Retail development (the net book value at 30 June, 2015 is Euro 10,289 thousand).
The increase in the period is due to the goodwill paid by the Parent Company for the acquisition of the store in Salerno for Euro 298 thousand.

The increase in the account Assets in progress and advances, amounting to Euro 243 thousand, is attributable to the Parent Company. It relates for Euro 182 thousand to the costs incurred for the implementation of the new Oracle JD Edwards operating system, including internally generated assets.

The Other intangible assets amount to Euro 33,536 thousand and principally comprise leasehold improvements (Euro 10,052 thousand), Key money for strategic locations (Euro 16,178 thousand) and charges incurred for the issuance of the Bond (Euro 5,000 thousand).
The additions and reclassifications of the period, amounting to Euro 2,751 thousand, mostly concern investments made by the Parent Company for Euro 1,591 thousand (for Siena, Catania and Salerno stores and Milano Showroom), TS Spain for Euro 959 thousand for the opening of Puerto Banus store, TS East for Euro 195 thousand were invested mainly for the opening of Moscow Boutique and Moscow Outlet.

Impairments

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

Property, plant and equipment

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

ACCOUNT	As of December 31, 2014			Changes in the year						As of June 30, 2015		
(€/000)	Historical cost	Accumulated depreciation	Net book value	Additions 2015	Reclass. 2015	Decreases Hist. cost	Decreases Acc. deprec.	Depreciation	Exchange difference	Historical cost	Accumulated depreciation	Net book value
Land and buildings	30	(8)	22	-	-	-	-	(1)	-	30	(10)	20
Plant and machinery	13,126	(7,583)	5,542	863	24	-	-	(471)	-	14,013	(8,054)	5,958
Industrial and commercial equipment	1,208	(803)	405	183	-	(4)	2	(134)	42	1,429	(936)	493
Other tangible assets	9,763	(4,060)	5,702	1,080	2	(51)	36	(612)	36	10,829	(4,636)	6,193
Construction in progress and advances	32	-	32	(2)	(26)	-	-	-	0	4	-	4
Total property, plant and equipment	**24,159**	**(12,455)**	**11,703**	**2,124**	**-**	**(55)**	**38**	**(1,219)**	**78**	**26,306**	**(13,636)**	**12,669**

Land and buildings, amounting to Euro 20 thousand, refers to light constructions.

The Plant and machinery account includes specific and general plant, installed at the premises, factories and warehouses, as well as at the stores and outlets, of weaving and production machinery.
The increases and the reclassifications of the period, totaling Euro 887 thousand, concern investments by the Parent Company (for Euro 668 thousand) and its subsidiaries (Euro 219 thousand, of which Euro 182 thousand relates to TS Spain, Euro 26 thousand relates to TS Germany, Euro 6 relates to TS Shoes and Euro 5 thousand relates to TS France), principally for the installation of electric, lighting and video-surveillance plant at the new stores and Outlets.

Industrial and commercial equipment mainly includes equipment for the ironing phase and commercial equipment.
The increases, amounting to Euro 183 thousand, primarily refer to the purchase of fittings for the new commercial openings during the year and in particular: Catania, Salerno, Siena and the restyling of Show Room of Milan in Italy (totaling Euro 49 thousand); the Puerto Banus store in Spain (totaling Euro 8 thousand).
The residual part of the increases relate to the subsidiary Twin Set Shoes for Euro 69 thousand, the Parent Company, for Euro 50 thousand, and TS Germany, for Euro 7 thousand, for the maintenance of the existing stores.

The Other tangible assets principally comprise furniture and fittings, EDP and transport and motor vehicles.
The increases of the period, amounting to Euro 1,082 thousand refers to the purchase of ordinary assets and costs incurred for the installation of EDP in the new stores.
The increase, in particular, refers for Euro 599 thousand to the Parent Company, for Euro 107 thousand to TS Spain, for Euro 357 thousand to TS East, for Euro 11 thousand to TS Germany and Euro 6 thousand to TS Shoes.

Other financial assets

The account amounts to Euro 1,202 thousand (Euro 1,304 thousand as of December 31, 2014) and refers to security deposits paid by the Parent Company and its subsidiaries.

Current Assets

Inventories

The changes in inventories are shown in the table below:

€/000	As of June 30, 2015	As of December 31, 2014	Change	Change %
Raw materials, consumables and goods	5,375	5,476	(101)	(1.8%)
Work-in-progress and semi-finished products	1,824	4,863	(3,039)	(62.5%)
Finished goods	53,444	48,940	4,504	9.2%
Total inventories	**60,643**	**59,279**	**1,364**	**2.3%**

€/000	As of December 31, 2014	Provisions	As of June 30, 2015
Raw materials, consumables and goods obsolescence provision	(1,247)	(218)	(1,465)
Work-in-progress and semi-finished products obsolescence provision	-	-	-
Finished goods obsolescence provision	(7,807)	(2,350)	(10,157)
Total obsolescence provision	**(9,054)**	**(2,568)**	**(11,622)**

The inventories consist of:

- raw materials, consumables and goods of Euro 5,375 thousand, net of the obsolescence provision of Euro 1,465 thousand relating to yarns, textiles and accessories;
- work in progress and semi-finished products, amounting to Euro 1,824 thousand, referring to clothing and garments in production not completed at year end;

- finished goods, amounting to Euro 53,444 thousand, net of the relative obsolescence provision of Euro 10,157 thousand comprise garments produced and complementary products distributed, which complete the total look proposed by the Group to its customers.

The increase in inventories compared to December 31, 2014 is principally due to the growth in business volume.
The obsolescence provision, amounting to Euro 11,622 thousand, recorded as a direct reduction of inventories as of June 30, 2015, refers to the adjustments to the value of inventories for the effects of slow moving raw materials and finished goods and the lower realizable value of stock and garments of previous seasons. Such obsolescence has been calculated considering the increase in the expected time necessary to sell the old collections through “stockists” and the lower realizable value.

Receivables

The changes in receivables are shown in the table below:

€/000	As of June 30, 2015	As of December 31, 2014	Change	% Change
Trade receivables	50,065	43,587	6,478	14.9%
Tax receivables	2,694	4,994	(2,300)	(46.1%)
Deferred tax assets	8,796	7,797	999	12.8%
Other receivables	634	722	(88)	(12.2%)
Total receivables	**62,189**	**57,100**	**5,089**	**8.9%**

Trade receivables, amounting to Euro 50,065 thousand (Euro 43,587 thousand as of December 31, 2014), refer to receivables for the sale of products produced and distributed by the Parent Company for Euro 49,405 thousand, by the subsidiary Tessitura Sidoti for Euro 560 thousand and by the subsidiary Twin Set Shoes for Euro 100 thousand. The increase in trade receivables is mainly due to the expansion of our business activities.

The receivables are reported net of the doubtful debt provision, amounting to Euro 4,418 thousand as of June 30, 2015, accrued against the risk of potential losses. The movements of the provision in the period are as follows:

€/000	As of December 31, 2014	Provision	Utilizations	As of June 30, 2015
Doubtful debt provision	4,586	1,585	(1,753)	4,418
Total	**4,586**	**1,585**	**(1,753)**	**4,418**

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

Tax receivables, amounting to Euro 2,694 thousand, principally comprise VAT receivables from the tax authorities in the respective countries for Euro 1,359 thousand (Euro 3,572 thousand as of December 31, 2014) of which Euro 571 thousand refers to TS East, Euro 482 thousand refers to TS Germany, Euro 286 thousand refers to TS Shoes, Euro 16 thousand refers to Tessitura Sidoti and Euro 4 thousand refers to TS Spain. The account also includes the IRES reimbursement receivable pursuant to Legislative Decree 201/2011 of the Parent Company amounting to Euro 242 thousand, the VAT reimbursement requested by the Parent Company for Euro 437 thousand and by the subsidiary TS Spain for Euro 203 thousand and other tax receivables of Euro 453 thousand.

The deferred tax assets, amounting to Euro 8,796 thousand, refer to temporary differences fiscally deductible in future years.

Other receivables of Euro 634 thousand, principally refer to Parent Company (Euro 393 thousand) and TS Germany (Euro 224 thousand) and relate to receivables from suppliers and customers not offset with payables at June 30, 2015 for advances and credit notes to be received, for Euro 259 thousand (Euro 511 thousand as of December 31, 2014) and receivables from employees for Euro 140 thousand, of which Euro 130 thousand refer to Parent Company.

Cash and Cash equivalents

The account includes Euro 28,993 thousand related to bank and postal accounts and Euro 169 thousand related to cash on hand. For a better understanding of the changes in cash and cash equivalents, reference should be made to the cash flow statement.

Other accrued income and prepaid expenses

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

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

Issued discount

The account amounts to Euro 1,217 thousand (Euro 1,366 thousand as of December 2014) and includes the discount on the issue of the Bond loan.

Net Equity

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

Provisions for risks and charges

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

€/000	As of December 31, 2014	Provision	Utilizations	As of June 30, 2015
Provision for pensions and similar obligations	2,594	1,161	(90)	3,665
Other provision for risks and charges	461	177	-	638
Provision for returns	1,619	2,901	(2,146)	2,373
Total provisions for risks and charges	**4,674**	**4,239**	**(2,236)**	**6,676**

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

The provisions for risks and charges include the risk provision concerning potential disputes with third parties amounting to Euro 638 thousand, exclusively related to TS Italy. In the first half of 2015, Euro 177 thousand have been accrued for three lawsuits with foreign agents with whom the Company has discontinued the agency contracts.

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

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

Deferred tax liabilities

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

Provision for employee severance indemnities

The provision reflects the liability of the Italian companies as of June 30, 2015 to all employees at that date, less advances made and transfers to the INPS Treasury Fund and the Open Funds.

Payables

The changes in payables are shown in the table below:

€/000	As of June 30, 2015	As of December 31, 2014	Change	% Change
Bonds	150,000	150,000	-	0%
Shareholder loan	72,583	70,188	2,395	3%
Bank loans	1,717	2,496	(779)	(31.2%)
Client advances	967	1,263	(296)	(23.4%)
Trade payables	48,358	55,993	(7,635)	(13.6%)
Tax payables	7,014	2,519	4,495	>100%
Social security payables	868	1,169	(301)	(25.7%)
Other payables	5,171	3,259	1,912	59%
Total payables	**286,678**	**286,887**	**(209)**	**(0.1%)**

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

Shareholders loans concern the shareholder Mo.Da Gioielli for Euro 72,583 thousand, including interest matured in the first half of 2015. The loan matures in 2020, with capitalized interest at an annual rate of 7%. The Shareholders loan has been purchased by The Carlyle Group on 1st July, 2015 as described in "Subsequent events".

Bank loans consist of bank overdrafts totaling Euro 238 thousand (Euro 297 thousand as of December 31, 2014) of which Euro 222 thousand attributable to Tessitura Sidoti and Euro 16 thousand to Parent Company and loans totaling Euro 1,479 thousand (Euro 2,199 thousand as of December 31, 2014) refers to Parent Company.

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

€/000	As of December 31, 2014	Changes in the year		As of June 30, 2015	Maturity	Maturity			
		Repayments	Drawdown			within one year	beyond one year	within 5 years	over 5 years
CARISBO	411	(102)	-	309	29/12/2016	205	104	309	-
CARIGE	165	(82)	-	83	31/12/2015	83	-	83	-
BPER (3564210)	692	(151)	-	541	29/01/2017	308	233	541	-
BPER - SACE (2895788)	569	(283)	-	286	30/12/2015	286	-	286	-
BANCA POP. COMM.& IND.	362	(102)	-	260	21/09/2016	208	52	260	-
Total	**2,199**	**(720)**	**-**	**1,479**		**1,090**	**389**	**1,479**	**-**

The client advances, amounting to Euro 967 thousand (Euro 1,263 thousand as of December 31, 2014), refer to advances requested from clients for future sales.

Trade payables, amounting to Euro 48,358 thousand (Euro 55,993 thousand as of December 31, 2014), refer to payables for the supply of goods and services for Euro 40.939 thousand (Euro 49,696 thousand as of December 31, 2014), payables to agents for commissions of the Parent Company for Euro 6,956 thousand (Euro 6,297 thousand as of December 31, 2014) and payables due to related MO.DA Gioielli for Euro 463 thousand.

Tax payables, amounting to Euro 7,014 thousand (Euro 2,519 thousand as of December 31, 2014) are recorded net of payments in advance, withholding taxes and tax credits legally offset. This account includes payables for definite tax liabilities of the Group.
In particular, the account refers to withholding tax on employee and consultant for Euro 996 thousand (Euro 1.057 thousand as of December 31, 2014), the IRES payables of the Parent Company for Euro 4.194 thousand (Euro 832 thousand as of December 31, 2014), the IRAP payables of the Parent Company for Euro 718 thousand and of TS Shoes for Euro 48 thousand, VAT payables for Euro 591 thousand, Euro 131 thousand concerning the residual payable following the Italian tax authority assessment for fiscal year 2013 related to Parent Company and other tax payables of Euro 337 thousand.

Social security payables, amounting to Euro 868 thousand (Euro 1,169 thousand as of December 31, 2014), principally refer to INPS payables for Euro 755 thousand (Euro 921 thousand as of December 31, 2014), ENASARCO for Euro 85 thousand (Euro 105 thousand as of December 31, 2014) and other social security institutions for Euro 28 thousand (Euro 112 thousand as of December 31, 2014). The payables principally concern the Parent Company (Euro 753 thousand) Twin Set Shoes (Euro 38 thousand) and TS France (Euro 49 thousand).

The other payables, amounting to Euro 5,171 thousand (Euro 3,259 thousand as of December 31, 2014), relate to payables to employees for salary, vacation, MBO, 13th and 14th month and relative contributions, totaling Euro 4.332 thousand (Euro 2,491 thousand as of December 31, 2014), payables for deposits received from contract manufacturers for Euro 79 thousand (unchanged on December 31, 2014), and other payables for Euro 760 thousand (Euro 599 thousand as of December 31, 2014), including payables to clients not offset with trade receivables as of June 30, 2015 amounting to Euro 587 thousand (Euro 413 thousand as of December 31, 2014).

Accrued expenses and deferred income

Account includes deferred income for Euro 152 thousand and accrued expenses for Euro 1,886 thousand. Accrued expenses mainly include interests on Bond.

Hedging instruments

As of June 30, 2015, Flexible Forward contracts for a total of USD 54,000 thousand are in place to partially hedge the interest rate risk arising from the purchase of goods denominated in USD. The details and fair value of the contracts as of June 30, 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 (EUR/000)
BPER	Flexi forward	3,000	16/10/2014	03/06/2015	30/09/2015	1.2800	2,344	337
BPER	Flexi forward	5,000	27/11/2014	01/09/2015	01/12/2015	1.2500	4,000	464
BPER	Flexi forward	5,000	11/12/2014	01/09/2015	31/12/2015	1.2500	4,000	463
Unicredit	Flexi forward	5,000	16/12/2014	01/09/2015	29/12/2015	1.2537	3,988	477
Unicredit	Flexi forward	5,000	04/02/2015	01/10/2015	27/01/2016	1.1518	4,341	122
BNL	Flexi forward	3,000	03/02/2015	01/09/2015	29/12/2015	1.1460	2,618	72
Unicredit	Flexi forward	5,000	20/03/2015	01/12/2015	31/03/2016	1.0847	4,610	(166)
Unicredit	Flexi forward	5,000	20/03/2015	04/01/2016	31/03/2016	1.0820	4,621	(152)
Carisbo	Flexi forward	3,000	23/03/2015	04/01/2016	21/03/2016	1.0910	2,750	(96)
Unicredit	Flexi forward	5,000	23/03/2015	01/04/2016	30/06/2016	1.0925	4,577	(131)
BNL	Flexi forward	5,000	23/03/2015	01/06/2016	29/08/2016	1.1000	4,545	(89)
BNL	Flexi forward	5,000	24/03/2015	01/06/2016	29/08/2016	1.1060	4,521	(64)
Total		**54,000**					**46,915**	**1,237**

As of June 30, 2015, Interest Rate Swap (IRS) contract of Euro 100 million partially hedges the interest rate risk arising from the Notes. The detail and fair value of the contract as of June 30, 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	(1,196)
Total	**100,000**					**(1,196)**

Revenue

Revenue increased by Euro 21,450 thousand, or 21.7%, to Euro 120,422 thousand for the six months ended June 30, 2015 from Euro 98,972 thousand for the six months ended June 30, 2014. This increase was due to both wholesale and retail channel growth distributed across our domestic and international markets.

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

Breakdown of revenue by distribution channel	For the six months ended June 30,	% of Twin Set Revenue	For the six months ended June 30,	% of Twin Set Revenue	Change	% Change
(€/000)	2015		2014 [(1)]			
Wholesale	82,023	69.1%	72,717	74.3%	9,306	12.8%
Retail (including on line)	36,757	30.9%	25,105	25.7%	11,652	46.4%
Twin Set Revenue	**118,780**	**100%**	**97,822**	**100%**	**20,958**	**21.4%**
Other revenue [(2)]	1,642		1,150		492	42.8%
Revenue	**120,422**		**98,972**		**21,450**	**21.7%**

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

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

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

Breakdown of revenue by geography (€/000)	For the six months ended June 30, 2015	For the six months ended June 30, 2014 [1]	Change	% Change
Italy	76,687	71,282	5,405	7.6%
Benelux	7,991	6,436	1,555	24.2%
Spain	7,747	3,949	3,798	96.2%
France	4,330	2,452	1,878	76.6%
Russia	6,263	2,823	3,440	>100%
Germany	4,743	2,318	2,425	>100%
Other countries	11,019	8,562	2,457	28.7%
Twin Set Revenue	**118,780**	**97,822**	**20,958**	**21.4%**
Other revenue [2]	1,642	1,150	492	42.8%
Revenue	**120,422**	**98,972**	**21,450**	**21.7%**

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

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

Other income

Other income and internally generated assets are composed of:

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Rental income	26	29	(3)	(10.3%)
Reimbursements	34	77	(43)	(55.8%)
Ordinary gains	9	13	(4)	(30.8%)
Other non recurring income	1,319	163	1,156	>100%
Other income	245	448	(203)	(45.3%)
Internally generated assets	239	530	(291)	(54.9%)
Total other income and internally generated assets	**1,872**	**1,260**	**612**	**48.6%**

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

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

Internally generated assets, amounting to Euro 239 thousand, mainly refer to the employee costs related to development of the new Oracle JD Edwards management software (Euro 182 thousand).

Other non recurring income, amounting to Euro 1,319 thousand (Euro 163 thousand as of December 2014) includes Euro 900 thousand related to the transfer of unpaid trade receivables to the shareholders as better explained in "Recent Development" paragraph. The amount is offset by the same amount included in other operating costs. At year end these amounts might be offset in order to avoid higher income and expenses amounts. The residual amount refers to other income non recurring.

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

Purchase of raw materials, goods and changes in inventory including change in work in progress, semi-finished and finished product inventories increased by Euro 5,128 thousand, or 14.6%, to Euro 40,276 thousand for the six months ended June 30, 2015 from Euro 35,148 thousand for the six months ended June 30, 2014. As a percentage of Revenue, this line item decreased by 2.1 percentage points, to 33.4% in the six months of 2015, from 35.5% in the six months ended June 30, 2014. This decrease was primarily due to a change in the channel and product mix and, to a lesser extent, to a more efficient supply chain.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Raw materials, supplementary materials, consumables and goods	41,713	38,097	3,616	9.5%
Change in inventories of raw materials, supplementary materials, consumables and goods	(853)	278	(1,131)	>100%
Purchase of raw materials, goods and changes in inventories	**40,860**	**38,375**	**2,485**	**6.5%**
Change in work in progress, semi-finished and finished product inventories	(584)	(3,227)	2,643	(81.9%)
Purchase of raw materials, goods and changes in inventory, including change in work in progress, semi-finished and finished product inventories	**40,276**	**35,148**	**5,128**	**14.6%**
% of Revenue	*33.4%*	*35.5%*	-	-

Cost of services

Cost of services increased by Euro 2,775 thousand, or 8.4%, to Euro 35,703 thousand for the period ended June 30, 2015, from Euro 32,928 thousand in the same period of 2014. As a percentage of revenue, cost of services compared to the same period last year decreased by 3.7 percentage points. This was due to the more careful management of operating costs, which started in the second half of 2014 and continued in the period under review. The table below sets forth the breakdown of costs of services for the six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Agent commissions	8,121	6,179	1,942	31.4%
Marketing and advertising	5,827	6,894	(1,067)	(15.5%)
External works	7,767	7,725	42	0.5%
Logistics and transport	6,475	5,567	908	16.3%
Administrative	2,362	1,994	368	18.5%
Travelling expenses	609	768	(159)	(20.7%)
Other service costs	4,542	3,801	741	19.5%
Total cost of services	**35,703**	**32,928**	**2,775**	**8.4%**
% of Revenue	*29.6%*	*33.3%*		

Rent

Rent increased by Euro 3,154 thousand, or 58.2%, to Euro 8,576 thousand for the period ended June 30, 2015 from Euro 5,422 thousand for the same period of 2014. The rise in rent was primarily due to the opening of 19 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 increase in "Rent expenses for headquarters" is mainly due to the fact that at the end of 2Q 2014 were signed lease contracts for TS East and TS Shoes headquarters.
Rent show an increase in term of percentage of revenue due to the international expansion where costs are higher in comparison with domestic market. Furthermore the costs are fully incurred whereas sales are in a development stage.

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

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Rent expenses for shop, outlet and showroom	7,697	4,804	2,893	60.2%
Rent expenses for headquarters	586	424	162	38.2%
Other rent expenses	293	194	99	51.0%
Total rent	**8,576**	**5,422**	**3,154**	**58.2%**
% of Revenue	*7.1%*	*5.5%*		

Personnel costs

Personnel costs increased by Euro 3,505 thousand, or 30.6%, to Euro 14,961 thousand in the first half of 2015 from Euro 11,456 thousand for the same period of 2014. As a percentage of revenue, personnel costs increased by 0.8 percentage points to 12.4% for the period ended June 30, 2015 from 11.6% for the same period of 2014, mainly due to the increase in our point of sales, which required additional retail employees and further support from the headquarter to handle the increased business volume.

The table below sets forth the breakdown of personnel costs for the six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Wages and salaries	11,200	8,435	2,765	32.8%
Social security contributions	3,139	2,475	664	26.8%
Employee severance indemnities	622	545	77	14.1%
Other costs	-	1	(1)	(100.0%)
Total personnel costs	**14,961**	**11,456**	**3,505**	**30.6%**
% of Revenue	*12.4%*	*11.6%*		

The table below sets forth the breakdown of emplyees by category for the six months ended June 30, 2014 and 2015.

	As of June 30, 2015		As of June 30, 2014		Changes	
Employees number	**Italy**	**Overseas**	**Italy**	**Overseas**	**Italy**	**Overseas**
Senior Executives	7	1	6	1	1	-
Managers	16	3	16	-	-	3
Clerical/administrative staff	230	7	201	11	29	(4)
Workers	57	2	65	-	(8)	2
Retail staff	306	167	278	43	28	124
Total employees number	**616**	**180**	**566**	**55**	**50**	**125**
Combined total employees (Italy and abroad)	**796**		**621**		**175**	

Amortization and depreciation

Amortization and depreciation increased by Euro 1,424 thousand to Euro 11,219 thousand for the first half 2015 from Euro 9,795 thousand for the first half 2014. The increase in amortization and depreciation for the period ended June 30, 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 six months ended June 30, 2014 and 2015.

€/000	Six months ended June 30,	Six months ended June 30,	Change	% Change
	2015	2014		
Amortization of intangible fixed assets	10,000	8,863	1,137	12.8%
Depreciation of tangible fixed assets	1,219	932	287	30.8%
Total amortization and depreciation	**11,219**	**9,795**	**1,424**	**14.5%**
% of Revenue	*9.3%*	*9.9%*		

Other operating costs

Other operating costs increased by Euro 914 thousand, to Euro 1,700 thousand for the period 2015 from Euro 786 thousand for the same period in 2014. Amount mainly includes extraordinary expenses for Euro 900 thousand related to the transfer of unpaid trade receivables to the shareholders as better explained in "Recent Development" paragraph. The amount is offset by the same amount included in other revenues. At year end these amounts might be offset in order to avoid higher income and expenses amounts. The residual amount refers to other non recurring expenses.

Operating profit

Operating profit increased by Euro 4,326 thousand, to Euro 8,097 thousand for the period ended June 30, 2015 from Euro 3,771 thousand for the same period of 2014. As a percentage of revenue, operating profit increased by 2.9 percentage points to 6.7% in 2015 from 3.8% in the same period of 2014.

Financial income/(expenses)

Financial expenses increased by Euro 1,633 thousand to Euro 7,458 thousand in the first six months of 2015 from Euro 5,825 thousand in the same period of 2014. The increase was primarily due to the interests paid on Euro 150,000 thousand Senior Secured Floating Rate Notes issued on July 22, 2014.

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

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Other financial income	8	19	(11)	(57.9%)
Interest and other financial expenses	(7,361)	(5,565)	(1,796)	32.3%
Foreign exchange gains and losses	(105)	(279)	174	(62.4%)
Total financial income and expenses	**(7,458)**	**(5,825)**	**(1,633)**	**28.0%**
% of Revenue	*(6.2%)*	*(5.9%)*		

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

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Change	% Change
Shareholder loan interest	**2,395**	**2,694**	**(299)**	**(11.1%)**
Bank interest	**122**	**2,871**	**(2,749)**	**100%**
Loan interest	*22*	*2,518*	*(2,496)*	(99.1%)
Overdraft and others bank interest	*17*	*56*	*(39)*	(69.6%)
Financials Charges	*83*	*297*	*(214)*	(72.1%)
Interest on Bond	**4,844**	**-**	***4,844***	**100%**
Total interest and other financial expenses	**7,361**	**5,565**	**1,796**	**32.3%**

The accounts Shareholder loan interest and Loan interest decreased due to the partial repayment of Shareholder Loan (Euro 12,200 thousand) and to the repayment of the Term Loan and the Capex line made in July 2014 after the issuance of the Notes.

Income tax and deferred tax assets and liabilities

The breakdown of income and deferred taxes is as follows:

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Changes	Changes %
Current taxes	(4,417)	(3,244)	(1,173)	36.2%
Deferred taxes	191	215	(24)	(11.2%)
Prepaid taxes	999	1,566	(567)	(36.2%)
Total income tax	**(3,227)**	**(1,463)**	**(1,764)**	**>100%**

Current taxes are as follows:

€/000	Six months ended June 30, 2015	Six months ended June 30, 2014	Changes	% Changes
IRES	(3,362)	(2,372)	(990)	41.7%
IRAP	(1,055)	(872)	(183)	21.0%
Total current taxes	**(4,417)**	**(3,244)**	**(1,173)**	**36.2%**

Current taxes, amounting to Euro 4,417 thousand as of June 30, 2015, include IRES for Euro 3,362 thousand (of which Euro 2,928 thousand related to TS Italy, Euro 433 thousand to TS Shoes and Euro 1 thousand to Tessitura Sidoti) and IRAP for Euro 1,055 thousand (of which Euro 968 thousand related to TS Italy, Euro 85 thousand to TS Shoes and Euro 2 thousand to Tessitura Sidoti).

Subsequent Events

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

Related parties

The Parent Company and the subsidiary Tessitura Sidoti undertake their activities through factories and warehouses under rental contract, owned or under finance leases by the minority shareholder MO.DA. Gioielli S.r.l.
MO.DA. Gioielli also holds controlling shareholding in the companies 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”.
No atypical and/or unusual transactions took place with related parties and all operation were governed at normal market conditions.