MARCOLIN

# 2021 ANNUAL REPORT

Marcolin Spa Single Shareholder Company I Headquarters and Administrative Offices: Zona Industriale Villanova, 4 – 32013 Longarone (BL) – Italy I Share Capital: € 35.902.749,82 i.v. | Fiscal Code and Company Registration No.: BL 01774690273 | R.E.A. 64334 Belluno VAT No. 00298010257 | Phone +39 0437 777111 | www.marcolin.com

# MARCOLIN

adidas
adidas
BALLY
BARTON PERREIRA
BMW

Candie's eyewear
EMILIO PUCCI
GANT EYEWEAR
GCDS
GUESS

HARLEY-DAVIDSON EYEWEAR
KENNETH COLE
LONGINES
MARCIANO GUESS
MAX&Co.

MaxMara
MONCLER LUNETTES
OMEGA
SKECHERS EYEWEAR
SPORTMAX

SWAROVSKI
Timberland
TOD'S
TOM FORD
ZEGNA

## HOUSE BRANDS

MARCOLIN EYEWEAR
VIVA eyewear
WEB EYEWEAR

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# GENERAL INFORMATION

# COMPOSITION OF CORPORATE BOARDS

***Board of Directors*** [1]

| | |
|---|---|
| Vittorio Levi | Chairman |
| Fabrizio Curci | Chief Executive Officer and General Manager |
| Antonio Abete | Director |
| Simone Cavalieri | Director |
| Alberto Fabbri [5] | Director |
| Jacopo Forloni | Director |
| Cirillo Coffen Marcolin | Director |
| Emilio Macellari | Director |
| Frédéric Jaques Mari Stévenin | Director |
| Franck Raymond Temam | Director |
| Raffaele Roberto Vitale | Director |
| Severine de Wulf [4] | Director |

***Board of Statutory Auditors 1***

| | |
|---|---|
| David Reali | Chairman |
| Mario Cognigni | Statutory Auditor |
| Diego Rivetti | Statutory Auditor |
| Alessandro Maruffi | Alternate Auditor |
| Rossella Porfido | Alternate Auditor |

***Internal Audit Committee*** [2]

| | |
|---|---|
| Vittorio Levi | Chairman |
| Jacopo Forloni | Supervisor |
| Cirillo Coffen Marcolin | Supervisor |

***Supervisory Body*** [2]

| | |
|---|---|
| Federico Ormesani | Chairman |
| David Reali | Supervisor |
| Gabriele Crisci | Supervisor |

***Independent Auditors 3***
PricewaterhouseCoopers S.p.A.

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1) Term of office ends on the date of the General Meeting called to approve the balance statements for the year ended 31 December 2021 (pursuant to the Shareholders' Resolution of 28 March 2019).

2) Pursuant to the Board of Directors' appointment of 28 March 2019.

3) Term of engagement: 2019 - 2021 (pursuant to the Shareholders' Resolution of 28 March 2019).

4) On 21 June 2021 Giovanni Zoppas tendered his resignation as Director; as a result, on 29 July 2021, to replace the resigning Director, the Board of Directors appointed Severine De Wulf as co-opting Director, who will hold office until the next Shareholders' Meeting scheduled for 29 July 2021.

28 April 2022.

5) Alberto Fabbri presented his resignation from the Board of Directors on 23 December 2021. To replace the resigning Director, the Board of Directors did not appoint a replacement by co-option, as it was resolved to reduce the number of directors to 11 members.

# SHARE CAPITAL AND SHAREHOLDERS

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As of 31 December 2021, the share capital was 100% owned by the shareholder 3 Cime S.p.A., following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding S.p.A., as part of the process of realising the investment in the joint venture with the LVMH Group Thélios S.p.A., as more fully described in the section "*Financial and corporate activities*" of the Report on Operations.

Marcolin S.p.A. shares held by the shareholder 3 Cime S.p.A. are encumbered by liens established at the time of the issue of a bond loan on 27 May 2021, which is backed by collateral for the exact fulfilment of the pecuniary obligations undertaken towards the mass of bondholders covered by the loan, including a lien on the shares of the Issuer Marcolin S.p.A.

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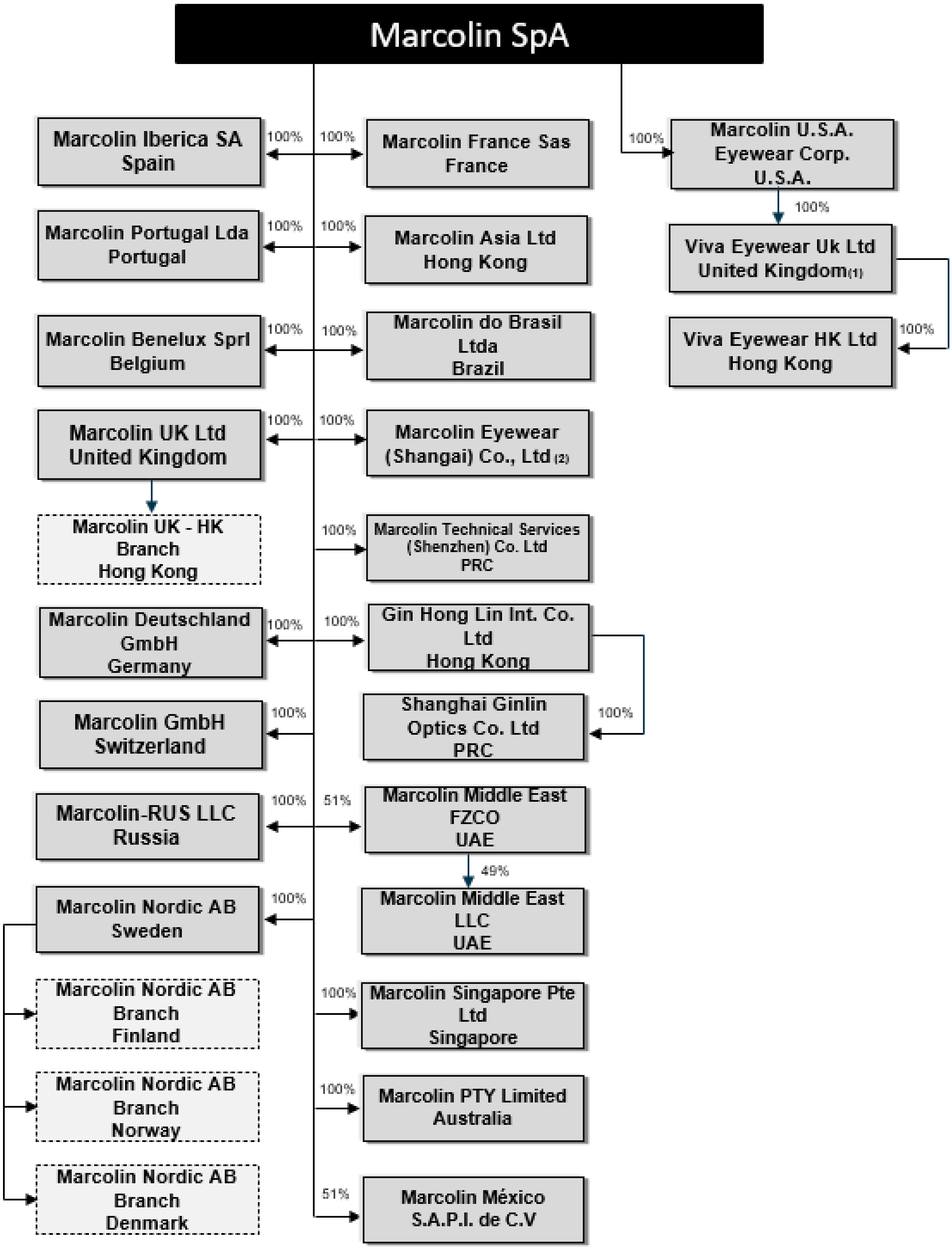
# THE STRUCTURE OF THE MARCOLIN GROUP AT 31 DECEMBER 2021




1) Company in liquidation;

2) Eyestyle Trading (Shangai) Co Ltd PRC in 2021 changed its name to Marcolin Eyewear (Shangai) Co., Ltd PRC as part of the reorganisation of the business in China following the acquisition of 100% control of the activities in China, previously managed through the joint venture Gin Hon Lin Int. Co. Ltd established in 2014 with local partner Gin Hong Yu International Co. Ltd group (Ginko Group).

# THE MARCOLIN GROUP

Marcolin, a long-established company based in Longarone (Belluno) in the Italian eyewear district, is a designer, manufacturer, and distributor of eyewear products. As a renowned leader in the global eyewear business, Marcolin stands out for its premium quality products, design skills, production capabilities, attention to detail, and first-rate distribution.

Thanks to the key acquisition of the Viva Group in 2013 and to the signing of new partnership agreements over the years (among others with LVMH, which concluded successfully at the end of 2021), Marcolin Group has become an eyewear business with a strong global presence in terms of its brand portfolio, products, geographic presence and markets.

In 2021, the Marcolin Group sold around 13 million glasses worldwide, achieving a net turnover of 455 million euros, with a total of 1,847 employees, plus a far-reaching and well-structured network of independent agents.

As part of its ongoing project to develop in new markets, the Group completed the opening of a new subsidiary in Shanghai in July 2021. The Group has been present on the Chinese market for seven years through a joint venture with the Ginko Group, a long-standing player in the local eyewear market, a relationship that concluded at the end of 2020 with the acquisition of the remaining 50% of the company's shares. To further strengthen its commercial presence in China and as part of a broader strategy of corporate consolidation and direct presence in key markets around the world, Marcolin Shanghai will support local partners more closely, responding more effectively and quickly to consumer needs. The new location will lead to an increase in the company's organic growth in the market, while at the same time guaranteeing the production chain and offering products developed specifically for the Chinese market, thanks to in-depth expertise in fitting and design processes and close collaboration with the country's major customers. The new branch is located in the Jing'an District, a modern and upmarket commercial and financial district in the centre of Shanghai.
During 2020, the Group had already taken significant steps to develop new markets in the APAC territory through the establishment of the subsidiaries Marcolin Australia and Marcolin Singapore, aimed at strengthening the Group's growth in the APAC geographical area and enhancing the commercial synergy with the regional office already operating in Hong Kong.

Overall, the 2021 financial year saw a revival of the Group's business, following a significant decrease in 2020 due to the Covid-19 pandemic. Although the first quarter of 2021 still saw restrictions due to the resurgence of the pandemic and recurring lockdowns in many regions where the group operates, the subsequent quarters performed very favourably, allowing the group to relaunch its commercial strategies in terms of developing channels, geographies and brands, which had slowed down in the previous year.
In terms of both procurement from external suppliers and internal industrial production, there were no slowdowns or delays during the past year as a result of government restrictions and choices implemented by the various states to manage the containment of the pandemic.
During 2021, the Group continued to ensure the protection of employees in terms of health and safety, adopting all the necessary and required hygiene protocols, as amended by various government regulations over time, in its Italian plants and logistics centres around the world, as well as continuing to promote remote working solutions for office staff.

On the financial front, the Group took advantage of the favourable market conditions to refinance its debt through the issue, in May 2021, of a new senior secured, non-convertible and non-subordinated bond loan, combined with a new super senior revolving line, in order to both postpone the maturities of the main sources of financing and to reduce and therefore concentrate the various forms of financing within a limited pool of financing entities, discharging in advance, among others, the 50 million euro loan guaranteed by SACE S.p.A. at 90% (pursuant to Legislative Decree no. 23/2020) obtained and implemented in June 2020 as a preventive measure to ensure business continuity during the most acute phase of the Covid-19 pandemic.

The economic-financial stringency expressed in 2020 to cope with the economic crisis that emerged as a result of the pandemic was maintained in 2021, demonstrating how these choices have permeated the corporate culture, such as the containment of discretionary spending, the evaluation and support of the most strategic investments, the efficiency of internal production capacity, the optimisation of marketing expenses, the accurate monitoring of net working capital through the minimisation of inventory levels and the careful management of collections from customers and payment of suppliers.

The macroeconomic indicators present in the first few months of 2022, which mainly see a general increase in the inflation index of the main world countries, the constant rise in the costs of raw materials, energy and transport, together with the geopolitical tensions that led to the war crisis between Russia and Ukraine at the end of February 2022, show a general climate of uncertainty, to which is added the uncertainty arising from the continuation of the Covid-19 pandemic crisis; however, on this last point, the year 2021 saw important signs of recovery thanks to the effectiveness of the vaccination campaigns, as well as the choices of the various governments in terms of policies for the recovery to support businesses. Against this background, it is difficult to predict the results of the current year, which could be affected by macroeconomic dynamics not attributable to the Group's choices or trends in the sector. Despite this unfavourable scenario, the Group is committed to pursuing both short- and medium-term strategies.

With reference to licence agreements, the year 2021 was characterised by the commercial launch of the collections of the Group's new brands whose licence agreements were signed at the end of 2019, shortly before the advent of the Covid-19 pandemic, which slowed down their commercial and promotional activities. 2021 therefore saw the emergence of brands such as Barton Perreira, Sportmax, Max&Co, Max Mara, adidas, Longines, Omega, BMW, BMW M and BMW M Motorsport and GCDS (clothing and accessories brand founded by brothers Giordano and Giuliano Calza).
The year 2021 also saw the Group engaged in the renewal of important licensing agreements, including GUESS, Guess by Marciano and Skechers.

Today Marcolin has a strong *portfolio* of licensed brands balanced between the *Luxury* and *Diffusion* segments, in both men's and women's segments, with a good balance between prescription glasses and sunglasses.
The company is positioned in the *Luxury* sector with some of the most *glamorous brands* in the *fashion system*, including Tom Ford, Tod's, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Omega, Longines, Bally, Max Mara and Sport Max, and in the *Diffusion* sector with the brands Guess, Guess by Marciano, Candye's, Gant, Harley Davidson, Swarovski, Max&Co, Skechers, BMW, GCDS, Timberland, and Kenneth Cole New York, as well as other brands specifically dedicated to the US market.
The sports segment is represented by adidas Badge of Sport and adidas Originals.
Proprietary brands include WEB, Viva and the historic Marcolin.

Geographically, the Group is present in all major countries across the world through direct affiliates, partnership agreements and exclusive distribution agreements with major players of the industry.

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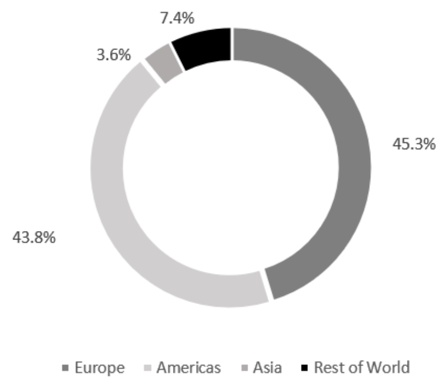
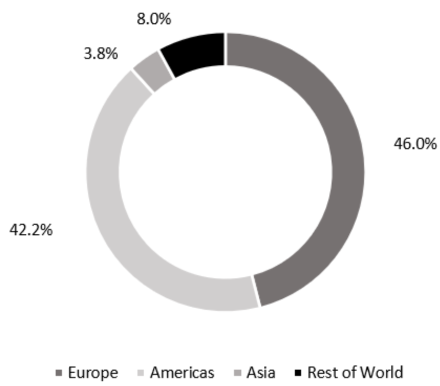
# THE GROUP'S FINANCIAL HIGHLIGHTS

**Sales by geographical area**

**FY2021**

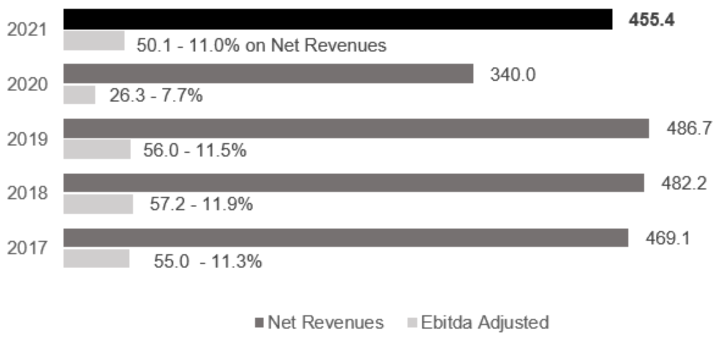



**FY2020**

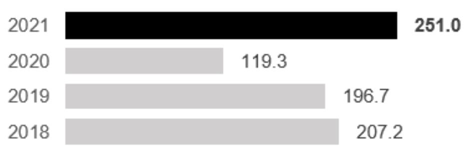



**Turnover and Adjusted EBITDA** *(million euro)*

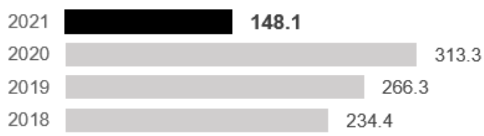
*Adjusted EBITDA excludes non-recurring charges of an extraordinary nature.*




**Shareholders' equity (million euro)**




**Net financial position (adjusted)** *(million euro)*




*Adjusted to exclude the effect of accounting for leases in accordance with IFRS 16 and to exclude the loan granted by the parent, 3 Cime S.p.A., in FY 2020*

# MARCOLIN GROUP
# REPORT ON OPERATIONS
# FOR THE YEAR ENDED DECEMBER 31, 2021

# MARCOLIN GROUP REPORT ON OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

Consistently with previous years, the Annual Financial Report as at 31 December 2021 (including the consolidated financial statements of the Marcolin Group and the separate financial statements of Marcolin S.p.A.) has been prepared in accordance with the valuation and measurement criteria established by the IAS/IFRS international accounting standards, adopted by the European Commission, in accordance with the procedure set out in Article 6 of Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, as well as the measures issued in implementation of Legislative Decree no. 38/2005.

## DIRECTOR'S COMMENTS ON PERFORMANCE

### *Economic trends in the Italian eyewear industry* [1]

According to Anfao-Associazione nazionale fabbricanti articoli ottici, 2021 was the year of the post-pandemic recovery, thanks to the advent of vaccines that have greatly reduced the spread of the pandemic. China and the United States were the first to react to the crisis, and are already looking forward to recovery from the end of 2020. In Italy, the advent of vaccines has helped restore a positive climate of confidence that has benefitted spending levels; investments, production and exports, especially in the manufacturing sector, have reacted very positively, a trend confirmed by the national GDP, which has seen growth of 6.6% in 2021 compared to the previous year and the public debt/GDP ratio falling to around 150%. However, there are still critical factors that could undermine the economic recovery, such as the Covid-19 variants, as well as inflation trends, rising energy and transport costs and, last but not least, the war between Russia and Ukraine. In this complex scenario, a fundamental element for the recovery of the national economy will be the efficient use of the financial means made available by the European Union through the PNRR (National Recovery and Resilience Plan).

With reference to the Italian eyewear sector, growth trends emerged at macroeconomic level are confirmed, with a recovery from 2020 well above expectations. The overall figures show a growth in exports of more than 40% (the following and subsequent figures refer to the first nine months of 2021 compared to the same period in previous years). The increase is less than 1% compared to pre-pandemic levels in 2019. In particular, the increase in exports was around 50% for frames, 40% for sunglasses and 20% for lenses. Comparative figures for 2019 show a mid-single-digit increase for frames, while data for sunglasses still show a slight decrease of around 2%. The months of April, June and September 2021 show even higher increases than the corresponding months of 2019.
With reference to the geographical areas, all the major destination markets for Italian eyewear are growing both compared to 2020 and to 2019, with the exception of Asia.
A further element of optimism comes from the analysis by individual exporting countries, which shows that in the main Italian eyewear markets, the gap compared to 2019 has already been partially or totally closed.
In 2021, there were encouraging signs for Italian eyewear in the domestic market as well. A significant recovery from 2020. During 2022, the recovery trend that started in 2021 is expected to continue and return to pre-Covid-19 values.

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### *Introduction*

In the above context, the Marcolin Group recorded an increase in turnover of 33.9%.
(36.5% at constant exchange rates), while the parent company recorded an increase of 30.2% (32.8% at constant exchange rates).

During 2021, the Group concluded important transactions affecting both its financial structure, which was made more efficient through the refinancing of existing debt, and its corporate structure, as a result of the disinvestment in the Thélios joint venture and the exit of LVMH from Marcolin's shareholding, as described in more detail in the section "*Financial and corporate activities*" of the Report on Operations.
The brand portfolio also saw the consolidation of a number of licensing contracts, with important renewals that extended the contractual duration of the licensing of important brands for the Group, as well as the enhancement and relaunch of the proprietary WEB Eyewear brand for which important results are expected in the coming months.

The following is a detailed description of the key transactions that affected the Group during 2021.

[1] Freely adapted from press releases by ANFAO - Associazione Nazionale Fabbricanti Articoli Ottici - eyewear data report for the period January - September 2021.

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***Financial and corporate activities***

Considering the favourable financial market conditions that emerged during the first months of 2021, in May 2021 the Company evaluated the possibility of refinancing its existing financial debt in full by issuing a new bond and entering into a new super senior revolving loan agreement.
On 27 May 2021, Marcolin S.p.A. therefore entered into a guaranteed, non-convertible and non-subordinated senior bond loan, pursuant to Article 2410 et seq. of the Italian Civil Code, at a fixed rate of 6.125% and maturing in November 2026, for an amount of 350,000,000.00 euro. UniCredit S.p.A. acted as "Security Agent" and The Law Debenture Trust Corporation p.l.c. acted as "Trustee".
As part of the transaction, on 19 May 2021, a super senior revolving financing contract (ssRCF) was also signed, for a maximum amount of 46,250,000.00 euro, whose pool of banks is made up of Deutsche Bank Aktiengesellschaft, Banco BMP S.p.A., Credit Suisse AG (Milan Branch), Intesa Sanpaolo S.p.A. and UniCredit S.p.A. (the latter also acting as "Agent" and "Security Agent"), whose maturity was set within the limit of 6 months prior to the maturity of the new bond issue.

The refinancing was completed at the same time as the early repayment of the following financial liabilities: (i) the previous super senior revolving loan for an original amount of 40,000,000.00 euro underwritten on 3 February 2017, which was fully drawn at the date of repayment; (ii) the previous guaranteed, non-convertible, variable rate senior bond maturing in 2023 for an amount of 250,000,000.00 euro signed on 10 February 2017; (iii) the medium-long term loan agreement for an original total principal amount of 50,000,000.00 euro, signed on 24 June 2020 with the following pool of banks UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A., Credit Suisse AG, Milan Branch and Credit Agricole Friuladria S.p.A., assisted by a SACE guarantee, as provided for under the Liquidity Decree, entered into in consideration of the economic and financial situation resulting from the health emergency arising from the spread of Covid-19 and the business support measures contained in Decree-Law no. 23 of 8 April 2020 (as converted by Law no. 40 of 5 June 2020, the "Liquidity Decree").

The bonds are listed on the Euro MTF multilateral trading facility managed by the Luxembourg Stock Exchange (non-regulated EU market), with the consequent disapplication of the issue limits provided for by Article 2412, paragraphs 1 and 2, of the Italian Civil Code, and is offered for underwriting in the United States exclusively to "qualified institutional buyers" within the meaning of Rule 144A of the Securities Act of 1933 ("Securities Act") and in Italy and in other countries other than the United States in accordance with the provisions of Regulation S under the Securities Act and exclusively to qualified investors, with the exclusion of any placement with the general public and, in any event, exempt from EU and Italian rules on public offerings pursuant to Regulation (EU) 2017/1129 and art. 100 of Legislative Decree No. 58 of 24 February 1998 and the relevant implementing rules contained in Article 35, paragraph 1, letter (d) of the CONSOB Regulation adopted by resolution 20307 of 15 February 2018 and in Article 34-ter, paragraph 1, letter (b) of the Regulation on issuers adopted by CONSOB by resolution No. 11971 of 14 May 1999.

The bond loan and the ssRCF loan are secured by the following collateral granted by the parent company 3 Cime S.p.A., by Marcolin S.p.A. and by certain subsidiaries:
(i) a first-degree lien on the shares of Marcolin S.p.A. held by 3 Cime S.p.A.;
(ii) a pledge on the shares representing the entire share capital of Marcolin (UK) Limited, Marcolin France S.A.S., Marcolin (Deutschland) GmbH, Marcolin USA Eyewear Corp;
(iii) an assignment as security of receivables of Marcolin S.p.A. arising from certain intra-group loans granted by the Company to certain companies controlled by it;
(iv) a pledge of all significant assets of Marcolin USA Eyewear Corp;
(v) a special lien pursuant to Article 46 of Legislative Decree No. 385 of 1 September 1993 established by Marcolin S.p.A. on certain assets.

In line with similar transactions concluded by the Group in previous years, the SSRCF loan agreement provides for compliance with certain financial covenants, in addition to the guarantees described above. Until 31 March 2022, there is a "*minimum liquidity covenant*", set at 10 million euro as the minimum level of cash including any available unused credit lines, to be calculated on a quarterly basis by Marcolin S.p.A. From 30 June 2022, it will be replaced by the*"Total Net Leverage ratio covenant"* (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the agreement also includes, on a residual basis, certain disclosure requirements, other general commitments and certain limitations on the performance of certain investment and financing activities, commensurate with the amount available from certain *baskets*.

For further information, please refer to the Marcolin Group's website for the document called "Offering Memorandum" prepared at the same time as the issue of the bond in question.

In addition to the forms of financing mentioned above, as part of the liquidity support measures taken in 2020 to cope with the negative effects of the Covid-19 pandemic, it should be noted that 3 Cime S.p.A., the majority shareholder of Marcolin S.p.A., disbursed on 24 June 2020 a subordinated shareholder loan of 25 million euro with an original maturity of December 2025, which accrues interest repayable on maturity, and whose contractual structure allows it to be classified as an equity credit. In the context of the refinancing operation that occurred in May 2021, the maturity date of the aforementioned shareholders loan was changed, extending it to November 2027 and thus making it subject to the repayment of the bond.

A further financial transaction that took place at the end of 2021 concerned the termination of the investment in the Thélios joint venture on 23 December 2021, as provided for in the joint venture agreement originally signed in 2017 with LVMH. The rationale for this choice lies in the fact that the start-up process of the associated company was, in fact, successfully concluded to the mutual satisfaction of both Marcolin and LVMH, making it consequently and naturally appropriate for the two entities to pursue their respective strategies separately, so that each of them could better pursue such objectives.
The transaction was finalised through the following transactions:
(i) the sale by Marcolin S.p.A. to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro;
(ii) the sale by Vicuna Holding S.p.A. of 10% of the shares in Marcolin S.p.A., equal to 6,828,708 class B shares, to Marcolin S.p.A. itself, which then proceeded to purchase treasury shares at a price of 30 million euro and subsequently cancelled them; as a result of this transaction, 3 Cime S.p.A. came to hold 100% of the share capital of Marcolin S.p.A.;
(iii) the mutual resignation of the directors representing the outgoing shareholders from the respective companies, i.e., in Marcolin S.p.A. the director Alberto Fabbri and in Thélios S.p.A. the directors Fabrizio Curci and Raffaele Roberto Vitale. At the same time as the resignation of Alberto Fabbri from the Board of Directors of Marcolin S.p.A., the Shareholders' Meeting resolved to reduce the number of Directors to 11, seeing no point in replacing the resigning Director in order to keep the number of Directors unchanged;
(iv) the formalisation of the consequent termination of the Joint Venture agreements;
(v) the purchase by Vicuna Holding S.p.A. of the Shareholder Loan granted by Marcolin S.p.A. to Thélios S.p.A. and full repayment of the amounts financed, totalling 13,193,578.31 euro, plus interest accrued to 23 December 2021;
(vi) the continuation of the business of distribution of Thélios products by Marcolin in certain countries in which Thélios does not currently have its own structure as they are not strategically important.
The transaction was completed with the payment of the consideration on 23 December 2021 and resulted in a gain of 167 million euro in the consolidated income statement, arising from the comparison between the price received and the value of the investment in the consolidated financial statements valued at equity (-8.8 million), and of 120,784 in the statutory financial statements, arising from the comparison between the price received and the value of the investment in the statutory financial statements (valued at cost for 37,216 thousand euro).

During the year 2022, the Company will evaluate how to use the cash generated by the aforementioned transaction, employing it in the most profitable and appropriate way in order to develop and favour the growth of the Group or reducing through an early repayment the outstanding bond by the end of the year.

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***Organisational changes***

The year 2021 saw the continuation of the important reorganisations and replacements at top management level of both the Parent Company and the subsidiaries, which had already taken place since the previous year, in order to strengthen the management team as part of the actions undertaken to pursue the Group's new strategic objectives aimed at developing skills for a drive towards industrial and commercial efficiency, also through the digitalisation of processes.

The pivotal elements for the achievement of these objectives lie in the structuring of high quality standards in terms of processes, procedures, best practices in terms of corporate governance structure and corporate risk management, which the Group is already pursuing starting from 2020, with important developments achieved during 2021. With regard to the latter, the year 2021 saw the implementation of a series of improvements in terms of risk management, including the activation of an ERM (Enterprise Risk Management) aimed at identifying, assessing and managing corporate risks.

In this context, it should be noted that the Parent Company is also undertaking a project to formalise and adapt its administrative and accounting procedures to the provisions of Law 262/2005. As part of this project, in January 2022, the Regulation of the Manager responsible for preparing the company's financial reports was approved, appointing, on a voluntary basis, CFO Alessandro Matteini as the Manager responsible for preparing the company's financial reports. In October 2021, Alessandro Matteini, the current Group CFO, replaced the previous Group CFO Sergio Borgheresi. Alessandro Matteini has gained experience in former listed and unlisted multinational groups and corporations and in different businesses.
In October 2021, Emanuele Cappellano also joined the Group as  Group Strategy and Corporate Development Director, to support the company management in the evaluation of strategic initiatives, and was subsequently also entrusted with the supervision, as CEO, of the American subsidiary.

During 2021, the Company also pursued the updating and introduction of new protocols in the Organisation and Management Model adopted pursuant to Legislative Decree 231/2001 in order to comply with new regulatory requirements or changes in the organisational structure. Specifically, the Model has been supplemented by (i) updating the protocol on Environmental Crimes (in this regard, the company has also promoted the project for the ISO 14001 certification of its environmental management system); (ii) the introduction of the protocol relating to tax offences, included by the legislator in Legislative Decree no. 231/2001 through Article 25-quinquiesdecies with the main purpose of extending the administrative liability of entities to criminal tax offences; (iii) the introduction of the protocol relating to smuggling offences, included among the "alleged offences" by Legislative Decree no. 75/2020 following the introduction of the so-called smuggling offences as new offences provided for by Article 25-sexiesdecies of Legislative Decree no. 231/2001; (iv) the updating of the protocol relating to the protection of health and safety in the workplace provided for by Article 25-septies of Legislative Decree 231/2001; (v) the introduction of the protocol relating to Market Abuse offences provided for by Article 25-sexies of Legislative Decree 231/2001.

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***Product and licensing activities***

As part of the actions to consolidate and develop the brand portfolio, the following activities undertaken during 2021 with actions dedicated to licensed brands should be noted:

On 10 June 2021, Marcolin Group and Guess announced the early renewal of their exclusive licensing agreement for the design, manufacture and global distribution of sunglasses and prescription frames for the GUESS and Marciano brands. The partnership has been extended to 2030, further consolidating the excellent relationship between the two groups. Since 2013, GUESS has been Marcolin's reference brand in the diffusion segment, with a wide range that perfectly embodies the brand's DNA and innovative style, with contemporary trendy shapes and an always up-to-date style.

On 29 November 2021, Marcolin Group and Skechers USA Inc. announced the renewal of their licensing agreement for the design, manufacture and distribution of Skechers-branded sunglasses, prescription frames and kids' eyewear. The partnership has been extended until 31 December 2024.

With reference to the brand owned by Web, Marcolin decided towards the end of 2021 to structure a strategic plan to relaunch it. The project, which will see important developments during 2022, includes the review and updating of the elements of the marketing mix with a view to the premium positioning of the brand and product quality. From 2022, to increase the international visibility of the brand, Web Eyewear will be a sponsor of the formula 1 team Alfa Romeo F1 Orlen.

As part of the process of streamlining the licence portfolio, it should be noted that on 30 June 2021 the relationship with Diesel and DSquared was terminated by mutual agreement with the licensing parties.

In the product area, the Marcolin Group continued with the rationalisation and optimisation of the collections to make them more suitable for the reference markets in which it operates, focusing on international distribution ("*asian-fitting*"), aiming at an attractive and exclusive *design*, while at the same time improving the industrialisation capacity of new models, and also paying attention to opportunities emerging from the availability of new original materials.

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### *Commercial actions*

During 2021, the Group launched a number of strategic initiatives aimed at further strengthening customer focus, growth and development of markets and channels, digitisation of processes and tools and efficient inventory management.

A new Customer Experience division has been set up and a cross-functional project involving the entire organisation has been undertaken, involving a profound cultural transformation, redesigning the customer experience and its points of contact with the company. This initiative aims to accelerate the company's vision of putting the customer at the centre, by redefining processes and developing an integrated digital platform within the Sales, Commerce, Service and Marketing areas.
The project is of particular relevance and topicality as it combines the drive for quality improvement and attention to customer needs with the propensity to digitalise business processes. Full compliance with GDPR requirements is a cornerstone of the entire project. The project is outlined as a strategic path of business transformation, which aims to redefine the business model, starting from the customer as the central element.
Technology will be an enabler, alongside a holistic approach that has seen the definition of a new Vision and Mission for the organisation, and a rulebook defining the principles that will guide corporate behaviour. Analysis and redesign of the main processes for each function were undertaken, consistent with the defined Vision and Mission. The transformation will be further supported through the implementation of dedicated training courses to create the necessary skills for the adoption of a culture of customer centricity.
This important initiative will be implemented using a cloud platform managed by a major market leader and will be integrated with the management system currently in use in all Marcolin Group companies. This uniformity of platforms, as well as modernising the overall footprint of the Group's systems, will allow, through a centralised reporting system, a homogeneous and comparable measurement of the company's metrics and objectives, providing, over time, important elements of analysis useful to make the processes aimed at the commercial function more effective and efficient.

Strong focus was placed on the evolution of the Sales Forecasting process, developed as a fully integrated system to support Markets and Corporate functions. Internal points of contact were strengthened, forecast level granularity was enhanced and new digital applications were developed for new release sales projections, aimed at improving service levels and maximising efficiency in inventory control.

Internationally, there has been a standardisation of commercial policies aimed at all sales channels, in order to be more competitive in a global market. A new policy for online sales management was also introduced, developed to gain greater control of distribution and support the growth of this channel. With reference to the development of the e-commerce channel, the adidas Eyewear website - www.adidaseyewear.com - created and managed by Marcolin was activated at the end of 2021 and is already available in Italy, Spain, France, Germany, Belgium, Austria and other European countries. In the near future, this channel will be further enhanced to exploit the potential benefits also with other Group brands.

The opening of points of sale in Europe managed within the MORE programme, the Group's proprietary integrated category management and automated replenishment platform, continued and led to a significant increase in the sell-out of customers who signed up.

These initiatives saw their first benefits during the year and will continue to strengthen the company's position in the market during 2022 and future years.

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### *Operations in logistics and industry*

Marcolin strenuously pursues efficiency in logistics and industrial organisation. The effect of the 2020 Covid-19 pandemic has further emphasised the need for efficiency in the *Supply Chain* network, which is increasingly required to meet flexibility requirements in order to respond quickly to fluctuations in demand. In this context, the Group has launched a series of projects aimed at improving the efficiency of the entire *supply chain* network, particularly the production of *Made In Italy* products and procurement planning as part of the optimisation of warehouse stocks.

With reference to Made in Italy production, a number of lean production initiatives have been undertaken, starting with a cost deployment approach for the initial identification of the most significant inefficiencies, then moving on to a review and update of cycle times. Through a redesign of the production cycle progress flow, the Group has managed to achieve significant industrial efficiencies by reducing waste and rework, with significant improvements in terms of lead time and increasing the efficiency of all production facilities. This project has also made it possible to increase the production output of Italian-made products, including by reallocating industrialisation space, optimising production flows and increasing daily productivity. In this context, an area dedicated to the manufacture of samples has also been created in order to carry out more accurate and dedicated industrialisation before moving on to the mass production phase, enabling the group to make overall lead time more efficient, with important savings also expected in 2022.

Marcolin believes it is essential to consolidate and develop its production capacity in Italy in order to benefit from the following factors:

- the reduction of dependence on external suppliers, which also makes it possible to reduce production *lead-time*, thus increasing the ability to seize market opportunities where they exist (improvement of *time to market*);
- the realignment of the *Made-in/Made-out* quota in line with the *eyewear* industry *standards* (and those of the main *competitors*);
- the expansion of the capacity to support the growth of *Made in Italy* products, which are increasingly perceived as value-added products by Italian and international customers;
- as an essential condition for managing the inflation risk in the Chinese sourcing market, the internalisation of production allows greater control of production factors, and not only from a cost effectiveness point of view.

In the area of logistics, during 2021, major investments in automation were undertaken to streamline the preparation and shipping of the distribution channel for independent opticians in the EMEA market. Automation, thanks to both horizontal and vertical transport solutions (between several warehouses) and thanks to pick-to-light solutions, has enabled productivity to be increased by 30% with the same amount of space, allowing the group to develop new channels and logistics solutions towards potential new markets.

Currently, the Group's logistical activities are concentrated at three large logistics hubs:

- the American hub, overseen by Marcolin USA Eyewear Corp. (the sole *legal entity*, which focuses on distribution in North American markets);
- the European hub, overseen by the parent company Marcolin S.p.A., which addresses, also through its affiliates, the entire European, Middle East and Africa, and Central and South America basin;
- the Asian platform, overseen by Marcolin UK Ltd – HK Branch, which addresses, also through other Marcolin Group affiliates, the Far East market, one that is distant and difficult to penetrate, and which only companies operating directly on site may serve efficiently.

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# INCOME STATEMENT HIGHLIGHTS

It should be noted that, where relevant, the main changes that occurred in the period in terms of results are described below, highlighting the impact of activities and, therefore, of non-recurring costs, and making the figures for 2021 comparable with those of the previous year, thus providing evidence of "normalised" profitability for both years. In fact, the last few years were impacted by a series of projects and new consolidation, development and global reorganisation activities at all levels. These extraordinary actions had an impact on the various financial years, including 2021. This requires a contextualisation of the results in light of the ‘extraordinary nature’ of certain elements.

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The following table summarises the Group’s key performance indicators:

| **Year** *(euro/000.000)* | **Net revenues** | **YOY** | **EBITDA** | **% of net revenues** | **EBIT** | **% of net revenues** | **Net profit / (loss) for the year** | **% of net revenues** | **ROS** | **ROI** | **ROE** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 340.0 | (30.1)% | 5.4 | 1.6% | (27.3) | (8.0)% | (57.0) | (16.8)% | (8.0)% | (5.9)% | (47.8)% |
| 2021 | 455.4 | 33.9% | 39.2 | 8.6% | 11.4 | 2.5% | 152.8 | 33.6% | 2.5% | 2.7% | 60.9% |

**EBITDA:** earnings before interest and taxation (EBIT), depreciation and amortization
**ROS:** Return on sales = EBIT/Net sales
**ROI:** Return on investment = EBIT /Cost of the investment
**ROE:** Return on equity = Net result/ Net Equity

In 2021, net revenues amounted to 455.4 million euro, compared to 340.0 million euro in 2020.

Ebitda amounted to 39.2 million euro, corresponding to 8.6% of turnover (compared to EBITDA 2020 of 5.4 million euro, corresponding to 1.6% as a percentage of revenues). It should be noted that this indicator is calculated considering the effect of accounting for leasing contracts in accordance with the international accounting standard IFRS16.
EBIT amounted to 11.4 million euro and corresponded to 2.5% of revenues (compared to the 2020 result of -27.3 million euro, corresponding to -8.0%).

The 2021 financial year was impacted at EBITDA level by non-recurring extraordinary costs of 10.9 million euro compared to the amount recognised in the 2020 financial year of 20.9 million euro. In order to better understand the economic performance for the year, it is therefore necessary to neutralise these effects, which in 2021 consist mainly of extraordinary expenses arising from reorganisation activities in several regions in which the Group operates, as well as expenses related to the discontinuation of certain brands which ceased during the year.

Net of the effects of the extraordinary charges described above, normalised (so-called *adjusted)* EBITDA for 2021 is 50.1 million euro, or 11% of revenues, and compares with a similar figure for 2020 of 26.3 million euro (or 7.7% of revenues).

Net of these impacts, the *adjusted* EBIT (operating profit) for 2021 was 22.3 million euro, or 4.9% as a percentage of revenue, and compares with a similar figure for 2020 of -3.3 million euro (-1 % of revenue).

Below is a summary representation of the key *performance* indicators normalised (*adjusted*), after filtering the effect produced by non-recurring costs:

| **Economic indicators - Adjusted** | **2021** | | **2020** | |
|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of net revenues** | **euro** | **% of net revenues** |
| Ebitda adj | 50,138 | 11.0% | 26,324 | 7.7% |
| Operating income - Ebit adj | 22,384 | 4.9% | (3,259) | (1.0)% |

# ANALYSIS OF TURNOVER

The consolidated financial statements as at 31 December 2021 show net revenues for the Group of 455.4 million euro, compared with 340.0 million in 2020. The increase in revenue of 115.4 million euro corresponds in percentage terms to a 33.9% increase. The year-on-year change in turnover at constant exchange rates was positive by 36.5%[1]. .

The Group continued to invest in supporting the brands and strengthening the commercial organisation with a medium/long-term logic, even in the most difficult markets, where it preferred to follow the trend in demand in the short term, avoiding overloading customers with products and favouring credit quality.

Sales by geographical area are broken down as follows:

| **Net Revenues by geographical area** | **2021** | | **2020** | | **Variations** | |
|---|---|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of total** | **euro** | **% of total** | **euro** | **% of total** |
| *Italy* | *32,696* | *7.2%* | *24,568* | *7.2%* | *8,128* | 33.1% |
| *Rest of Europe* | *173,472* | *38.1%* | *131,872* | *38.8%* | *41,600* | 31.5% |
| Europe | 206,168 | 45.3% | 156,440 | 46.0% | 49,728 | 31.8% |
| Americas | 199,286 | 43.8% | 143,540 | 42.2% | 55,746 | 38.8% |
| Asia | 16,352 | 3.6% | 12,863 | 3.8% | 3,490 | 27.1% |
| Rest of World | 33,567 | 7.4% | 27,135 | 8.0% | 6,432 | 23.7% |
| **Total** | **455,374** | **100.0%** | **339,978** | **100.0%** | **115,396** | **33.9%** |

Overall, sales in the domestic market grew by 33.1% compared to the same period in 2020, almost entirely making up for the contraction due to the pandemic (-6% vs 2019) despite the extension of restrictive measures during the first quarter of the year. More specifically, a change in purchasing habits has been observed, particularly in the opticians' channel, with a greater penetration of "prescription" products and a shift towards brands in the Luxury segment, which guarantee a better hold in the preferences of the end consumer.

At European level (excluding the Italian market), revenues amounted to 173.5 million euro (+31.5% compared to the previous year). Growth was recorded in this area in all countries. In particular, Eastern European countries performed very well, both because they were less restricted by the pandemic and because of greater interest in all the brands in the portfolio.

America ended 2021 with an increase in revenues of 38.8% at current exchange rates (44.1% at constant exchange rates).
The year saw very strong growth in the medical channel, driven by a number of factors such as the portfolio collected at the end of 2020, government incentives for the purchase of eye care products and the more general economic stimulus launched by the local government. For sunglasses, the first quarter saw slow growth, but this was followed by a very positive summer season, despite fewer international tourists coming to the big cities.

Sales in Asia increased by 27.1% compared to the previous year. This remains the area most affected, during 2021, by the consequences of the pandemic and the drastic restrictive measures put in place in particular by the Chinese government. China has had the most difficulty in returning to pre-pandemic levels, while the impact of the decision to change the distributor for the Korean market will be revealed over the course of 2022.

As regards the performance in the Rest of the World, there was an overall increase in turnover of 23.7% at current exchange rates and 26.4% at constant exchange rates. This area is comprised mainly of the Mediterranean area, Africa and the Middle East. This area also suffered the most from the pandemic in the first quarter, but showed significant growth from spring onwards and continued until the end of the year.

[1] Please refer to the notes to the consolidated financial statements in the section "Notes to the consolidated financial statements" for the final exchange rates at 31 December 2021 and the average exchange rates for 2021 "*Consolidation principles*".

# ANALYSIS OF THE OTHER COMPONENTS OF THE INCOME STATEMENT

The key data of the consolidated income statement are as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of net revenues** | **euro** | **% of net revenues** |
| Net revenues | 455,374 | 100.0% | 339,978 | 100.0% |
| Gross profit | 257,556 | 56.6% | 184,435 | 54.2% |
| Ebitda | 39,164 | 8.6% | 5,406 | 1.6% |
| Operating income - Ebit | 11,410 | 2.5% | (27,271) | (8.0)% |
| Financial income and costs | (21,393) | (4.7)% | (22,836) | (6.7)% |
| (Loss)/Profit before taxes | 156,781 | 34.4% | (68,135) | (20.0)% |
| Net (loss)/profit for the period | 152,801 | 33.6% | (57,010) | (16.8)% |

| **Economic indicators - Adjusted** | 2021 | | 2020 | |
|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of net revenues** | **euro** | **% of net revenues** |
| Ebitda adj | 50,138 | 11.0% | 26,324 | 7.7% |
| Operating income - Ebit adj | 22,384 | 4.9% | (3,259) | (1.0)% |
| (Loss)/Profit before taxes adj | 3,291 | 0.7% | (26,088) | (5.8)% |

A more detailed analysis of the data relating to the main *performance* indicators shows that the gross industrial result was 56.6% of turnover, an improvement (as a percentage of net revenues) of approximately 2.2% compared to the previous year (54.2% in 2020) thanks to both industrial efficiencies and an improved commercial mix. It should be noted that the group constantly pursues accurate management of industrial costs combined with commercial policies aimed at optimising the positioning of individual brands in their respective market segments.

The level of EBITDA and EBIT, as already noted in the previous paragraphs, is influenced by events of a non-recurring nature, both for the financial year 2021 and for the financial year 2020, which is why they have been subject to normalisation in order to provide evidence of margins that disregards the effects of the organisational and corporate rationalisation actions as well as charges related to the discontinuation of some brands that ceased during the year. The pre-tax profit (loss) for the year was adjusted for the above-mentioned non-recurring expenses and extraordinary income from the disposal of Thélios, which brought in a total gain of 166.8 million euro given by the differential between the sale price of 49% of the shares in Thélios S.p.A. to Vicuna Holding S.p.A. for 158 million euro and the consolidation value of Thélios S.p.A. at the date of disinvestment, which was -8.8 million euro.

In summary, normalised EBITDA of the effect of non-recurring expenses (so-called adjusted) for 2021 is 50.1 million euro, or 11% of revenues, and compares with a similar figure for 2020 of 26.3 million euro (or 7.7% of net revenues). The *adjusted* EBIT for 2021 is 22.4 million euro, or 4.9% as a percentage of revenue, and compares with a similar figure for 2020 of -3.3 million euro (- 1% of revenue).

With regard to the item net financial income and expenses, this item, amounting to 21.4 million euro in 2021, mainly includes the financial interest accrued under the previous bond issue until 27 May 2021 and referred to the new bond issue after that date, the *reversal* of the Bond issuance costs, accounted for in accordance with IFRS using the financial method of *amortised cost* over the life of the loan, financial expenses related to other short and medium/long-term loans and, lastly, the financial component of the accounting of leasing contracts in accordance with IFRS 16.

With regard to the Group's currency management, it should be noted that there is a natural hedging of the main currencies other than the euro with which the Group operates, mainly the US dollar, due to the similar amount of transactions in the same currency in purchases from suppliers and sales to customers; as a result, the income statement does not show any significant impact related to the currency management trend. The positive impact of the exchange rate effect in 2021, amounting to a total of 4.6 million euro, is mainly due to the appreciation of the US dollar recorded in 2021.

Income taxes[2] amount to a total of 4.0 million euro, and relate to total benefits of 11.1 million euro for the 2020 financial year. With reference to Marcolin S.p.A., a tax consolidation charge of 2.1 million euro was recognised,

2 On 31 March 2017, Marcolin S.p.A. opted for the renewal of the national tax consolidation scheme for IRES purposes pursuant to Articles 117 et seq. of Presidential Decree No. 917 of 22 December 1986 ("TUIR") with the parent company 3 Cime S.p.A. for the three-year period 2017-2019. Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.

entirely attributable to the parent company's IRES receivable from 3 Cime S.p.A. under the tax consolidation agreement in place with the parent company. Deferred taxes, on the other hand, relate to foreign subsidiaries for 2.0 million euro.

The net result is a positive 152.8 million euro (negative 57 million euro in 2020). This result was positively impacted by the realisation of the investment in the *Joint Venture* Thélios S.p.A., as described above, which contributed an investment income of 166.8 million euro, given by the differential between the amount received of 158 million euro and the value of the investment in Thélios recognised in the consolidated financial statements using the equity method of -8.8 million euro at the date of the transaction.

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# BALANCE SHEET AND FINANCIAL POSITION

The consolidated statement of financial position at 31 December 2021, compared to the previous year, is as follows:

| **Net invested capital** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Trade receivables | 70,762 | 71,652 |
| Inventories | 103,307 | 105,863 |
| Trade payables | (146,894) | (94,624) |
| **Operating working capital** | **27,175** | **82,891** |
| Other assets | 30,093 | 26,039 |
| Other liabilities | (34,371) | (27,595) |
| **Net working capital** | **22,898** | **81,335** |
| Non-current assets | 53,065 | 48,810 |
| Property, plant and equipment | 43,506 | 43,047 |
| Intangible assets | 44,577 | 43,263 |
| Goodwill | 287,720 | 280,277 |
| **Fixed assets** | **428,868** | **415,397** |
| Founds | (25,405) | (38,381) |
| **Net invested capital** | **426,360** | **458,351** |
| Current financial liabilities | 22,100 | 70,491 |
| Non-current financial liabilities | 383,220 | 340,859 |
| **Gross financial indebtedness** | **405,320** | **411,350** |
| Current financial assets and Cash and ca | (229,747) | (71,269) |
| Non-current financial assets | (238) | (1,025) |
| **Net financial debt** | **175,335** | **339,056** |
| **Net equity** | **251,025** | **119,295** |

The following table shows details of the net financial indebtedness at the end of the year, compared to the corresponding figures at the end of 2020:

| **Net financial debt** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Cash and cash equivalents | 228,848 | 52,363 |
| Current and non-current financial assets | 1,137 | 19,931 |
| Current financial liabilities | (21,426) | (68,165) |
| Current portion of non-current financial liabilities | (674) | (2,326) |
| Non-current financial liabilities | (383,220) | (340,859) |
| **Net financial position** | **(175,335)** | **(339,056)** |
| Loan from parent company 3 Cime S.p.A. | 27,279 | 25,779 |
| **Net financial position Adjusted** | **(148,056)** | **(313,277)** |

The Group's net financial position is a negative 175.3 million euro and includes 27.3 million euro for the loan granted in June 2020 by the shareholder 3 Cime S.p.A. as part of the activities aimed at providing financial support to the Group to support the critical issues arising from the Covid-19 pandemic. Net of this amount, which for the purposes of financial exposure to financial institutions is considered an *equity credit*, the Group's adjusted net financial position at 31 December 2021 amounted to 148.1 million euro, compared to 313.3 million euro at the end of 2020, with a year-on-year change of 165.2 million euro. The main components of financial indebtedness are the bond loan with a notional amount of 350 million euro and short and medium/long-term loans granted by various financial institutions. In addition, a *Super Senior Revolving Facility* for a maximum amount of 46.2 million euro was available and unused as at 31 December 2021. With reference to financial assets, the significant decrease derives from the sale to Vicuna Holding S.p.A. of the shareholder loan granted by Marcolin S.p.A. to Thélios S.p.A. as part of the realisation and termination of relations with the joint venture.

The ratio of net financial position to shareholders' equity at 31 December 2021 is 0.70 (2.84 at 31 December 2020). Excluding the effect of the loan from the parent company 3 Cime S.p.A , the ratio in question amounts to 0.59 at 31 December 2021.

The change in the net financial position during the year, a positive 165.2 million euro, is described in the following table:

| **Changes in net financial debt adj** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| **Adjusted EBITDA** | **50,138** | **26,324** |
| Increase / decrease in net working capital | 47,091 | (34,949) |
| Other operative adjustments | (923) | (12,420) |
| **Net cash from / (used in) operating activities** | **96,306** | **(21,045)** |
| (Purchase) of property, plant and equipment | (9,328) | (6,626) |
| Proceed from the sale of property, plant and equipment | 39 | 75 |
| (purchase) of intangible assets | (7,126) | (6,287) |
| Net (Investments)/disposal in investment in subsidiaries and associates | 158,000 | - |
| **Net cash from / (used in) investing activities** | **141,585** | **(12,838)** |
| Net interest (paid) / cash in | (18,381) | (13,881) |
| **Free Cash Flow** | **219,510** | **(47,763)** |
| Non-recurring items not included on Free Cash Flow | (10,974) | (20,918) |
| Loans from shareholders | 1,500 | 25,779 |
| Owns shares purchase and cancellation | (30,094) | - |
| Other financials items | (14,720) | (4,040) |
| **Total change in net financial debt** | **165,222** | **(46,943)** |
| | | |
| **Net financial debt as at December 31, 2020** | **(313,278)** | **(266,336)** |
| Total change in net finance debt | 165,222 | (46,943) |
| **Net financial debt as at December 31, 2021** | **(148,056)** | **(313,278)** |

*(*) Adj of Shareholders Loan 3 Cime SpA issued on June 2020. Both FY21 and FY21 figures are post IFRS16 effect*

Among the main items impacting the net financial position for the year was the positive trend in cash flow generated by operating activities, which made a positive contribution of over 95 to 96.3 million euros, compared to the contraction of more than 21 million euro in 2020, demonstrating an improvement in both profitability and working capital management in all its components. Investing activities benefit from the cash generated from the realisation of the investment in the joint venture Thelios as described above. The flow of net interest expense is particularly negatively impacted in 2021 by *transaction fees* incurred in connection with the refinancing of the bond.
Finally, approximately 11 million euro of non-recurring charges were recorded, as previously described in the comments on EBITDA, mainly related to non-recurring commercial reorganisation expenses in some of the Group's subsidiaries.

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The composition of operating working capital, in comparison with the previous financial year, is detailed in the following table.

| **Net working capital** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Inventories | 103,307 | 105,863 |
| Trade receivables | 70,762 | 71,652 |
| Trade payables | (146,894) | (94,624) |
| **Total** | **27,175** | **82,891** |

With reference to the main items that make up operating working capital:

- the value of net inventories decreased by 2.5 million euro compared to the previous year. This decrease, read in the light of the average inventories for the years prior to 2020, demonstrates the positive effects of the corporate strategy aimed at making inventories more efficient, while guaranteeing the sustainability of the growth in sales volumes achieved in 2021 and expected in 2022;
- the performance of trade receivables, which amounted to 70.8 million euro and was substantially in line with the previous year's values, shows a very positive trend in the DSO index, which shows a constant improvement even compared to pre-Covid-19 levels;
- With reference to trade payables, the balance at the end of the financial year 2021 is affected by amounts payable at year-end to group companies and licensors that will be settled during the following financial year. The increase compared to the previous financial year is due to the timing of the Parent Company's procurement from third-party suppliers to meet the first quarters of the following year which, due to the seasonality of sales typical of the sector, see a higher volume of sales compared to the other quarters of the year. However, the balance as at 31 December 2020 was particularly low as a result of both the reduction in supplies of goods and the policy of containing costs to cope with the effects of Covid-19.

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Investments in tangible and intangible assets (excluding divestments) for the year totalled 16.4 million euro (of which 9.3 million euro incurred for tangible investments and 7.1 million euro incurred for intangible investments), compared to 12.9 million euro (of which 6.6 million euro incurred for tangible investments and 6.3 million euro incurred for intangible investments), incurred in 2020. The table below provides a breakdown of disbursements related to property, plant and equipment, and intangible assets:

| **Property, plant and equipment cash out** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Land and buildings | 798 | 28 |
| Plant and machinery | 3,108 | 1,775 |
| Industrial equipement | 715 | 976 |
| Stand and commercial equipement | 3,032 | 3,002 |
| Hardware | 431 | 446 |
| Office forniture and furnishing | 379 | 355 |
| Other | 1,693 | 46 |
| **Total** | **9,328** | **6,626** |

| **Intangible assets cash out** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Software | 3,266 | 1,991 |
| Other | 3,861 | 4,296 |
| **Total** | **7,126** | **6,287** |

Expenditure on property, plant and equipment in 2021 mainly related to investments in new plant, machinery and commercial equipment in the Parent Company's production facilities, such as new *pick-to-light* automation solutions that improved productivity and logistics efficiency, as well as purchases in industrial areas aimed at increasing production capacity and reducing production *lead times*. Expenditures referred to intangible assets mainly refer to the purchase of software to improve and modernise the information systems from which the Group benefits and other intangible costs paid during the year.

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Non-current assets, in line with the previous year, included Goodwill for a total of 287.7 million euro, of which 186.2 million euro referred to the Parent Company, arising from the reverse merger with the parent company Cristallo

S.p.A. and the remainder relating to Goodwill recognised for the acquisition of Viva International in 2013 and the acquisition of Marcolin Middle East in 2017 as assets with an "indefinite useful life" and consequently not amortised. The change in this item compared to the previous year is exclusively attributable to translation differences of the US dollar component as a result of the change in this currency during the 2021 financial year.
This item was subject to an "*impairment test*", the assumptions and results of which are better explained in the Notes to the Consolidated Financial Statements of the Marcolin Group.

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Additional information and comments on the economic and financial results are reported in the Notes to the Consolidated Financial Statements.

# MARCOLIN S.p.A.
# REPORT ON OPERATIONS
# FOR THE YEAR ENDED DECEMBER 31, 2021

# MARCOLIN S.p.A. REPORT ON OPERATIONS

As described in the Report on Operations dedicated to the Marcolin Group, it should be noted that in the remainder of the Report on Operations of Marcolin S.p.A. comments will be provided net of the impact of non-recurring transactions, in order to provide comparability of the 2021 data with that of the previous year on a like-for-like basis, providing evidence of "normalised" profitability.

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# INCOME STATEMENT HIGHLIGHTS

The following table summarises the main economic indicators of Marcolin S.p.A.:

| **Year** *(euro/000.000)* | **Net Revenues** | **YOY** | **EBITDA** | **% of net revenues** | **EBIT** | **% of net revenues** | **Net (loss)/profit** | **% of net revenues** |
|---|---|---|---|---|---|---|---|---|
| 2020 | 190.8 | (30.8)% | (3.0) | (1.6)% | (17.3) | (9.1)% | (26.9) | (14.1)% |
| 2021 | 248.5 | 30.2% | 16.1 | 6.5% | 0.9 | 0.4% | 106.9 | 43.0% |

In summary, with reference to the main economic and financial data, the following should be noted:

- Net revenue of 248.5 million euro (190.8 million euro in 2020);
- EBITDA amounted to 16.1 million euro, accounting for 6.5% of net revenues (-3.0 million euro in 2020, or -1.6% of revenues);
- EBIT amounted to 0.9 million euro, accounting for 0.4% of net revenues (-17.3 million euro in 2020, or -9.1% of revenues);
- Net profit for the year was 106.9 million euro (compared to a loss of 26.9 million euro in 2020);
- The Net Financial Position was a negative 87.4 million euro (compared to a negative 229.6 million euro at 31 December 2020);
- Shareholders' equity of 293.5 million euro, compared to 216.8 million euro at the end of 2020.

With regard to the economic results for 2021, the Parent Company recorded a 30.2% increase in turnover during the year (a total of 58 million euro in absolute terms). The significant increase in turnover is the result of the positive development of sales in the domestic and European markets in 2021 following the easing of restrictions due to the Covid-19 pandemic, which heavily impacted turnover during 2020. Although the first two months of 2021 were partially affected by the negative wave of restrictions due to the pandemic wave at the end of 2020, revenue growth was very positive in March and especially in the second and third quarters of the year.

The following is a summary representation of the main normalised (*adjusted*) economic *performance* indicators, determined by sterilising the effect produced by non-recurring cost components. It should be noted that these values include the effect of the adoption of the accounting standard IFRS16:

| **Economic indicators - Adjusted** | **2021** | | **2020** | |
|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of net revenues** | **euro** | **% of net revenues** |
| Ebitda adj | 21,007 | 8.5% | 14,243 | 7.5% |
| Operating income - Ebit adj | 5,808 | 2.3% | (35) | (0.0)% |
| (Loss)/Profit before taxes adj | (6,583) | (2.6)% | (18,394) | (9.6)% |

More precisely, in 2021, these non-recurring charges mainly related to costs arising from the internal reorganisation of certain senior managers of the Company and other extraordinary costs related to the termination of certain contracts with suppliers that had reached their natural expiry date.

In 2021, *adjusted* EBITDA amounted to 21.0 million euro, or 8.5% of net revenues (14.2 million euro in 2020, or 7.5% of revenues), while *adjusted* EBIT amounted to 5.8 thousand euro, or 2.3% of net revenues (-35 thousand euro in 2020).

# ANALYSIS OF TURNOVER

Net sales revenue realised in 2021 amounted to 248.5 million euro, compared to 190.8 million euro in 2020, an increase of 57.7 million euro compared to the previous year (change in percentage terms 30.2%). At constant exchange rates, the increase in turnover was 32.8%.

Turnover from third parties achieved by the Parent Company in 2021 amounted to 104.1 million euro, compared to 74.1 million euros achieved in 2020, an increase of 29.9 million euro, corresponding to 40.2%.

The following table shows the trend in total revenues of Marcolin S.p.A. by geographical area:

| **Net Revenues by geographical area** | **2021** | | **2020** | | **Change** | |
|---|---|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of total** | **euro** | **% of total** | **euro** | **%** |
| *Italy* | *32,696* | *13.2%* | *24,568* | *12.9%* | *8,128* | *33.1%* |
| *Rest of Europe* | *118,374* | *47.6%* | *86,809* | *45.5%* | *31,565* | *36.4%* |
| Europe | 151,070 | 60.8% | 111,377 | *58.4%* | 39,693 | 35.6% |
| Americas | 56,895 | 22.9% | 46,195 | *24.2%* | 10,701 | 23.2% |
| Asia | 10,449 | 4.2% | 11,378 | *6.0%* | (929) | -8.2% |
| Rest of World | 30,117 | 12.1% | 21,884 | 11.5% | 8,233 | 37.6% |
| **Total** | **248,531** | **100.0%** | **190,833** | **100.0%** | **57,698** | **30.2%** |

The Company continued to invest in supporting the brands and strengthening the commercial organisation with a medium-term strategy, even in the most difficult markets, where it preferred in the short term to follow with the trend in demand avoiding saturating customers with products and favouring credit quality.

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The result achieved in 2021 by Marcolin S.p.A. in terms of net revenues is mainly driven by both the increase in sales to the Group's commercial subsidiaries and the growth on key accounts and the performance on the stock channel.

Europe represents the main market with an incidence of 60.8% of the Company's total revenues, slightly up compared to 2020, and this is because, especially with reference to Latin America and the Asian area, there was a more marked and more prompt relaxation of anti-Covid-19 measures.

The Americas showed a growth of 23.2% mainly driven by good volumes generated on the distribution channel in Latin America. Collaboration with local partners helped to mitigate the effects of the prolonged health pandemic.

Turnover in Asia represents 4.2% of total turnover of Macolin S.p.A. and decreased by 8.2% compared to the previous year. The year 2021 saw a continuation of the dynamics that had already emerged in the previous year, in particular the change of Korean distributor and the reorganisation activities of the Chinese subsidiary, combined with continued restrictive sanitary measures, severely affected the growth of trade transactions.

As far as the performance in the Rest of the World is concerned, there was an overall increase in turnover compared to the previous year of around 8.2 million euro. This area represents 12.1% of the Company's turnover.

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The main data relating to the Company's profit and loss account are reported below.

EBITDA was 16.1 million euro (6.5% of turnover), compared to a 2020 value of -3 million euro (-2% of turnover); EBIT was 0.4 million euro, compared to a 2020 value of -17.2 million euro (corresponding to -9% of turnover).

*Adjusted* EBITDA amounted to 21 million euro, compared to 14.2 million euro in 2020, and represented 8.5% of turnover (7.5% in 2020).
The *adjusted* EBIT in the financial year was 5.8 million compared to -0.03 million in 2020 (2.3% ratio to revenues).

| Income statement | 2021 | | 2020 | |
|---|---|---|---|---|
| *(euro/000)* | euro | % of net revenues | euro | % of net revenues |
| Net revenues | 248,531 | 100.0% | 190,833 | 100.0% |
| Gross profit | 99,269 | 39.9% | 66,777 | 35.0% |
| Ebitda | 16,136 | 6.5% | (3,008) | -1.6% |
| Operating income - Ebit | 937 | 0.4% | (17,286) | -9.1% |
| Financial income and costs | (11,223) | (4.5)% | (18,645) | -9.8% |
| (Loss)/Profit before taxes | 109,330 | 44.0% | (35,645) | -18.7% |
| Income tax expense | (2,432) | (1.0)% | 8,710 | 4.6% |
| Net (loss)/profit for the period | 106,898 | 43.0% | (26,935) | -14.1% |

A detailed analysis of the data relating to the main *performance* indicators shows that the gross industrial result amounted to 39.9% of turnover, an increase compared to the previous year (35.0%), directly attributable to the significant increase in sales achieved in 2021 compared to 2020, which was heavily penalised due to the effect of the pandemic, which worsened the absorption of costs that are by nature fixed.

The result from ordinary operations was a positive 0.9 million euro (0.4% of turnover), compared with -17.3 million euro in the 2020 financial year (-9.1% of turnover).

With regard to the item net financial income and expenses, this item, amounting to 11.2 million euro in 2021, is composed of opposing amounts. With reference to the cost components, financial interest expenses related to the bond issue, the *reversal* of the bond issue expenses, accounted for in accordance with IFRS under the financial method of *amortised cost* over the life of the bond, and other financial expenses related to other financing, also intercompany, in the short and medium-long term, for a total amount of 25.5 million euro (up by approximately 8.6 million euro compared to the previous year, mainly due to the financial costs related to the subscription of the new Bond in May 2021, as described in the introductory paragraphs of this document).
Interest income totalled 6.1 million euro, mainly accrued on intercompany financial assets (up 0.3 million euro from the previous year).
Foreign currency management, which is also a component of the balance of financial income and expenses, contributed revenues of 8.2 million euro, compared to total expenses of 7.7 million euros in 2020, mainly arising from the conversion of the intercompany loan receivable, the principal of which amounts to 65 million U.S. dollars, granted to the subsidiary Marcolin USA Eyewear Corp. as a result of the appreciation of the US dollar against the euro in 2021. It should be noted that at the end of October 2019, the Company approved the partial waiver of the repayment of this loan for a principal amount of 60 million U.S. dollars, in order to rebalance the equity-financial structure of the American subsidiary. The amount of the loan waived was recognised in Marcolin USA Eyewear Corp.'s equity as a capital reserve constituting an item of equity. With regard to the remaining part of the aforementioned financial receivable, excluded from the waiver deed, the conditions, terms and clauses already provided for and governed by the financing agreement and by the amendments that have been made over the years remain unchanged.
The change in the item financial income and charges, compared to the figure for the 2020 financial year, is impacted by a double effect of the opposite sign, namely an increase in financial charges linked to the subscription of the new bond loan, offset by a positive effect linked to currency management. This change leads to a reduction in net financial expenses of 7.4 million euro compared to the 2020 financial year.

Income taxes[3] amounted to total costs of 2.4 million euro and related to total income of 8.7 million euro for the year 2020. They are mainly composed of expenses of 2.1 million euro (compared to income of 3.4 million euro in 2020) related to the IRES tax charge incurred during the year and transferred to the tax consolidation. For the remaining portion, the amount refers to the annual effect of deferred taxation.

Finally, the net result for the year was a positive 106.9 million euro (43.0% of turnover), compared to a negative 26.9 million euro in 2020.

3 On 31 March 2017, Marcolin S.p.A. opted for the renewal of the national tax consolidation scheme for IRES purposes pursuant to Articles 117 et seq. of Presidential Decree No. 917 of 22 December 1986 ("TUIR") with the parent company 3 Cime S.p.A. for the three-year period 2017-2019. Starting from the year 2017, Article 7-quater of Legislative Decree No. 193/2016 introduced the automatic renewal of the options to adhere to the taxation regime described above, the three-year period of adherence to said regime automatically renewed with effect from 2020.

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# BALANCE SHEET AND FINANCIAL POSITION

The Parent Company's balance sheet at 31 December 2021 is shown in the table below, duly compared with the similar results for the previous year:

| **Net invested capital** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Trade receivables | 66,848 | 50,094 |
| Inventories | 55,075 | 61,561 |
| Trade payables | (119,874) | (80,087) |
| **Operating working capital** | **2,049** | **31,568** |
| Other assets | 13,361 | 15,826 |
| Other liabilities | (15,514) | (12,834) |
| **Net working capital** | **(105)** | **34,559** |
| Non-current assets | 12,798 | 11,958 |
| Investments in subsidiaries and associates and oth | 144,364 | 172,759 |
| Property, plant and equipment | 26,918 | 27,074 |
| Intangible assets | 23,059 | 23,830 |
| Goodwill | 186,227 | 186,227 |
| **Fixed assets** | **393,365** | **421,848** |
| Founds | (12,336) | (10,035) |
| **Net invested capital** | **380,925** | **446,372** |
| Current financial liabilities | 22,910 | 63,748 |
| Non-current financial liabilities | 372,803 | 329,608 |
| **Gross financial indebtedness** | **395,713** | **393,356** |
| Current financial assets and Cash and cash equival | (250,878) | (109,947) |
| Non-current financial assets | (57,415) | (53,795) |
| **Net financial debt** | **87,420** | **229,613** |
| **Net equity** | **293,505** | **216,759** |

The net financial position at 31 December 2021, compared to the end of 2020, is detailed below:

| **Net financial debt** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Cash and cash equivalents | 213,425 | 39,200 |
| Current and non-current financial assets | 94,867 | 124,543 |
| Current financial liabilities | (22,237) | (61,215) |
| Current portion of non-current financial liabilities | (674) | (2,533) |
| Non-current financial liabilities | (372,803) | (329,608) |
| **Total net financial debt** | **(87,420)** | **(229,613)** |
| Loans from shareholders | 27,279 | 25,779 |
| **Total net financial debt adj** | **(60,142)** | **(203,835)** |

The Company's net financial position was a negative 87.4 million euro, compared to 229.6 million euro at the end of 2020, with a positive year-on-year change of 142.2 million euro.
The main components of financial indebtedness are the bond loan with a notional amount of 350 million euro and short and medium/long-term loans granted by various financial institutions. In addition, a *Super Senior Revolving Facility* for a maximum amount of 46.2 million euro was available and unused as at 31 December 2021. The current and non-current financial assets were composed of loans granted to Group companies, among which the receivable loan of 65 million U.S. dollars granted to the subsidiary Marcolin USA Eyewear Corp., in existence since the 2013

financial year and subject to a partial repayment waiver in October 2019 for a principal amount of 60 million U.S. dollars, as specified above.

The significant change compared to 31 December 2020 is mainly attributable to the termination of the investment in the Thélios joint venture on 23 December 2021, which positively impacted the net financial position by 128 million euro as a result of the following factors:

a) the sale by Marcolin S.p.A. to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro;
b) the sale by Vicuna Holding S.p.A. of 10% of the shares in Marcolin S.p.A., equal to 6,828,708 class B shares, to Marcolin S.p.A. itself, which then proceeded to purchase treasury shares at a price of 30 million euro and subsequently cancelled them; as a result of this transaction, 3 Cime S.p.A. came to hold 100% of the share capital of Marcolin S.p.A.

In addition to the two transactions mentioned above, also on 23 December 2021, as part of the agreement to terminate the shareholding relationship with Thélios, Vicuna Holding S.p.A. completed the purchase of the Shareholder Loan provided by Marcolin S.p.A. in favour of Thélios S.p.A. and the full repayment of the amounts financed totalling 13,193,578.31 euro, plus interest accrued as at 23 December 2021. This transaction, neutral in terms of the change in the net financial position, contributed to the significant change in the item "cash and cash equivalents" compared to 31 December 2020.

The cash generation from operations is represented in the following section of the Annual Report, in the Notes to the Financial Statements, to which reference should be made for further details.

The ratio of adjusted net financial position to shareholders' equity at 31 December 2021 was 0.20 (compared to 0.93 as at 31 December 2020).

| **Year** *(euro/000.000)* | **Net financia debt** | **Net equity** | **Levarge (*)** |
|---|---|---|---|
| 2020 | (200.6) | 216.8 | (92.5)% |
| 2021 | (60.1) | 293.5 | (20.5)% |

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The composition of net working capital, in comparison with the previous financial year, is set forth in the following table:

| **Net working capital** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Inventories | 55,075 | 61,561 |
| Trade receivables | 66,848 | 50,094 |
| Trade payables | (119,874) | (80,087) |
| **Total Net working capital** | **2,049** | **31,568** |

With reference to the main items that make up the working capital, it should be noted that:

- the value of net inventories shows a decrease of 6.5 million euro compared to the previous year, thanks to the initiatives implemented by the *management* aimed at improving the efficiency of inventory management in order to reduce them, while guaranteeing the sustainability of the growth in sales volumes realised in 2021 and expected also for 2022;
- trade receivables increased by 16.8 million euro compared to the previous year, mainly as a direct result of the increase in sales (heavily impacted in 2020 by the Covid-19 pandemic). The DSO *trend* was positive, confirming the post-pandemic recovery that began in the second half of 2020;
- with reference to trade payables, the balance at year-end 2021 is affected by amounts payable at year-end to group companies and licensors that will be settled during the following year. The increase compared to the previous year is attributable to the timing of the Parent Company's procurement from third party suppliers to meet the first quarters of the subsequent year which, due to the seasonality of sales typical of the sector, see a greater volume of turnover compared to the other quarters of the year. However, the balance as at 31 December 2020 was particularly low as a result of both the reduction in supplies of goods and the policy of containing costs to cope with the effects of Covid-19.

Lastly, it should be noted that the ratio of operating working capital to net sales is 0.01 (0.17 in 2020), a performance that has significantly improved compared to the historical *trend* thanks to the actions taken by management to monitor cash flows during the year.

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Among Non-current Assets, in line with the previous year, we note the recognition by the Parent Company of Goodwill already recorded at the end of 2014 for a total of 186.2 million euro (as a result of the reverse merger with the parent company Cristallo S.p.A.), as an asset "with an indefinite useful life", and consequently not amortised.
The item was subject to impairment testing; the related assumptions and results are described in the Notes to the Separate Financial Statements of Marcolin S.p.A.

The other non-current assets include deferred tax assets of 12.2 million euro, the increase of which compared to the previous year is explained in the Notes to the Financial Statements.

Equity investments and other financial assets amounted to 144.4 million euro, decreased by 28.4 million euro mainly due to the termination of the investment relationship in the Thélios *joint venture* on 23 December 2021.

Investments in property, plant and equipment during the year mainly related to the purchase of equipment and plants for the Longarone (Belluno) production factories.
Investments in intangibles were mainly made to adapt and rationalise existing applications to support business processes.

# INVESTMENTS IN SUBSIDIARIES

The following is a summary of the relevant economic results of the companies affiliated with the Group.

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***Marcolin France Sas***

Marcolin France Sas, with headquarters in Paris, is 100% owned by the parent company Marcolin S.p.A. It distributes Marcolin products in the French territory, achieving sales revenues of 35.4 million euro in 2021 (29.8 million euro in 2020).
The result for the year 2021 closed with a profit of 0.1 million euro (substantial break-even in 2020).

***Marcolin Iberica S.A.***

Marcolin Iberica S.A., located a Barcelona, is wholly owned by Marcolin S.p.A.
Operating in the distribution of Marcolin products in Spain and Andorra, it generated sales revenue of 12.5 million euro in 2021 (11.7 million euro in 2020).
The result for the year 2021 is essentially break-even (positive 0.3 million euro in 2020).

***Marcolin Portugal-Artigos de Optica Lda***

Marcolin Portugal-Artigos de Optica Lda is located in Lisbon and 100% owned by Marcolin S.p.A. In 2021, it generated sales revenue of 2.2 million euro (1.7 million euro in financial year 2020). The result for the year 2021 was close to break-even (same result as in 2020).

***Marcolin Deutschland GmbH***

Marcolin Deutschland GmbH, based in Cologne, distributor for the German market (100% owned by Marcolin S.p.A.), achieved sales revenues of 18.1 million euro in 2021 (15.6 million euro in 2020).
The financial year 2021 ended almost at break-even (positive 0.2 million euro in 2020).

***Marcolin Schweiz GmbH***

Marcolin Schweiz GmbH (wholly owned by Marcolin S.p.A.), based in Muttenz, produced sales revenues of 1.8 million euro in the financial year (1.7 million euro in the previous year).
The result for 2021 was essentially break-even (same result as in 2020).

***Marcolin Benelux Sprl***

Marcolin Benelux Sprl (Villers-Le-Bouillet), a wholly-owned subsidiary of Marcolin S.p.A., generated sales revenues of 13.2 million euro in 2021 (7.9 million euro in 2020), achieved in Belgium, Luxembourg and the Netherlands.
The result for the year 2021 closes with a profit of 0.4 million euro (essentially break-even in 2020).

***Marcolin UK Ltd***

Marcolin U.K. Ltd, headquartered in London and wholly owned by Marcolin S.p.A., reported sales revenues of 12.3 million euro in 2021 (9.6 million euro in 2020), which it achieved in Great Britain and Ireland. The result for the year 2021 was a negative 0.4 million euro (positive 0.3 million euro in 2020). The profits refer exclusively to the only English legal entity, excluding the Hong Kong branch, described subsequently herein.

***Viva Eyewear UK Ltd***

The company is no longer operational and was put into liquidation in December 2019. It is wholly owned by Marcolin USA Eyewear Corp. The liquidation process is still ongoing as at 31 December 2021.

***Marcolin USA Eyewear Corp.***

Marcolin USA Eyewear Corp., wholly owned by Marcolin S.p.A. and based in Somerville (New Jersey), is the Group's most important sales affiliate. The sales are conducted largely in the United States and Canada. In 2021, it generated revenues of 201 million US dollars (170 million euros), compared to 144.1 million US dollars in 2020 (126.1 million euros), an increase of 39% compared to the previous year.
The result for the year 2021 was negative 3.3 million euro (negative 12.3 million euro in 2020).

***Marcolin Do Brasil Ltda***

Marcolin Do Brasil Ltda, based in Barueri and 100% owned by Marcolin S.p.A., achieved sales revenues of 20.8 million euro (12.9 million euro in 2020) in the Brazilian market.
The result for the year 2021 was a positive 3.2 million euro (positive 4.2 million euro in 2020).

***Marcolin Asia HK Ltd***

The affiliate, based in Hong Kong, Marcolin Asia HK Ltd (wholly owned by Marcolin S.p.A.), provides procurement services in Asia exclusively to the Group's affiliates. The financial year 2021 ended with a break-even, in line with the previous year.

***Marcolin Technical Services Co. Ltd***

This Company, wholly owned directly by Marcolin S.p.A., with its registered office in Shenzhen, Guangdong Province, in the Republic of China, monitors the production of *Made In China* products, performs quality control and checks production work in progress for the Group's Companies (Marcolin S.p.A., Marcolin USA Eyewear Corp., and Marcolin UK Hong Kong Branch). The result for 2021 (as well as for 2020) was essentially break-even.

***Marcolin UK Ltd Hong Kong Branch***

Marcolin UK Ltd Hong Kong Branch (branch of Marcolin UK Ltd) in 2021 achieved a turnover of 18.7 million euro (18.0 million euro in 2020), and a positive result of 0.9 million euro (negative result of 3.0 million euro in 2020). It is the Group's main sales company in the Far East.

***Viva Eyewear HK Ltd***

This company, wholly owned by Viva Eyewear UK Ltd, is not operational. It was the Viva Group's main Asian affiliate before the group was acquired by Marcolin. It closed the financial year 2021 (as well as 2020) at break-even.

***Marcolin-RUS LLC***

The subsidiary company, set up in partnership with a local shareholder, Sover-M, an established and prestigious company operating in the eyewear business in Russia, is part of the commercial development process of the Marcolin Group's strategy to develop business in new markets. The company is active in the distribution of all products in the portfolio of the Marcolin Group in the Russian territory. In December 2020, Marcolin S.p.A. acquired the remaining shares from the local shareholder, therefore becoming the sole shareholder.
In 2021, the company achieved sales revenue of 11.7 million euro (6.8 million euro in 2020) and a positive operating result of 0.5 million euro (0.3 million euro in 2020).

***Marcolin Nordic AB***

Marcolin Nordic AB (Stockholm), a wholly-owned subsidiary of Marcolin S.p.A., in 2021 achieved sales revenues of 11.8 million euro (9.1 million euros in 2020), achieved in the Nordic countries (Denmark, Finland, Norway, Iceland and Sweden). During 2015, its structure was provided with branches to operate in the main Countries of interest in the region. The financial year 2021 ended with a positive result of 0.2 million euro (a positive result of 0.5 million euro in the financial year 2020).

***Ging Hong Lin International Co. Ltd, Shanghai Jinlin Optical Co. Ltd and Marcolin Eyewear (Shanghai) Co., Ltd.***

With the aim of improving its direct distribution presence in *Mainland China*, during 2014 Marcolin Group set up a joint venture in collaboration with Gin Hong Yu International Co. Ltd group, a well-known and respected operator in the Chinese eyewear market. The operational activity was managed through Shanghai Jinlin Optical Co. Ltd, a company based in Shanghai and wholly owned by Gin Hong Lin International Co. Ltd. In December 2020, Marcolin S.p.A. acquired 50% of the remaining shares from shareholder Ginko, becoming the 100% parent company of the Hong Kong company. Following this, as part of the reorganisation and development activities in the Chinese market, in July 2021 the Company Shanghai Jinlin Optical Co. Ltd sold its entire business to the Marcolin Group company Eyestyle Trading (Shanghai) Co. Ltd, an existing company used until that date only to support the import and distribution of products related to certain *brands* at their *boutiques* in China. Eyestyle Trading (Shanghai) Co. Ltd subsequently changed its name to Marcolin Eyewear (Shanghai) Co., Ltd., as well as its address, moving to the prestigious Jing'an District in Shanghai, launching an intense restructuring activity aimed at strengthening its presence in the Chinese territory from both a commercial and logistical point of view, with major organisational changes and finally adapting the company policies to those typical of Marcolin.

Overall, the companies achieved sales revenue of 1.3 million euro in 2021 (3.9 million euro in 2020) and an operating result of negative 1.8 million euro (negative 2.0 million euro in 2020).

***Marcolin Middle East FZCO***

The company was set up in partnership with the Rivoli Group (one of the largest *retailers* in the Middle East) in May 2017. The company, based in Dubai in the United Arab Emirates, is 51%-owned by Marcolin S.p.A., and distributes eyewear collections with Marcolin's portfolio brands.
The company generated a turnover of 11.9 million euro in 2021 (9 million euro in 2020) and a positive operating result of 1.4 million euro (0.3 million euro in 2020).

***Marcolin Mexico SAPI de CV***

The company, based in Naucalpan (Mexico), was founded in April 2018 in cooperation with a local partner, Moendi. It is 51%-owned by Marcolin S.p.A. and its objective is to distribute luxury and lifestyle-brand sunglasses and prescription glasses in Mexico. The company ended the 2021 financial year with a turnover of 7 million euro (4.1 million euro in 2020) and an operating profit of 0.5 million euro (compared to an operating loss of 0.7 million euro in 2020).

***Marcolin Singapore Pte Ltd***

The company, based in Singapore, was founded in March 2019. It is wholly owned by Marcolin S.p.A. and its mission is to distribute products in Singapore and Malaysia. The company ended the 2021 financial year with a turnover of 0.5 million euro (0.8 million euro in 2020) and a loss of 0.4 million euro in 2021 (loss of 0.5 million euro in 2020) attributable to the company's start-up phase.

***Marcolin Australia PTY Limited***

The Sydney-based company, incorporated in November 2019, commenced operations during the first quarter of 2020. It is a wholly-owned subsidiary of Marcolin S.p.A. and has as its objective the distribution of products in the Australian territory. The company closed the 2021 financial year with a turnover of 3.8 million euro (2.2 million euro in 2020) and an essentially break-even result (loss of 0.2 million euro in 2020).

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# MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP AND THE COMPANY ARE EXPOSED

***Risks related to the general economic conditions and the competitiveness of the sectors in which the Group and the Company operate***

The economic and financial situation of the Marcolin Group and Marcolin S.p.A. is influenced by various factors that make up the macroeconomic framework in the various countries in which they operate. Economic recession has been present on an international level for some years now, which has led to significant contractions in some of the main outlet markets, in some cases reaching historic lows. More recently, some economies have shown signs of improvement, even significantly, and have in fact resumed growth; others, however, are still affected by recession and continue to record low growth rates or, even worse, economic stagnation.
In this context, it is difficult to predict the size and duration of economic cycles and make forecasts of future demand trends in the various countries. It is certain that, at least in the immediate future, the economies of some countries will continue to see limited, or at least slow, economic growth.

It cannot be ruled out that significant contractions in consumption levels, with transversal manifestations with respect to markets/products, could have a significant impact on the economic and financial situation of the Group and the Company, even if diversification of markets and the product/brand portfolio that characterises Marcolin is a factor that strongly limits this risk, compared with companies that have situations of greater concentration on certain markets or sectors.
The good level of balance achieved by Marcolin since 2014 thanks to the acquisition of the Viva Group and also in more recent years with the other investments in new countries such as the Middle East, Mexico, China, Singapore, Australia and the acquisition of 100% of the company in China and Russia, in addition to the realisation in 2021 of the investment in Thélios S.p.A. born in 2017 from the collaboration with the LVMH Group, in addition to broadening the development guidelines towards markets characterised by higher growth rates than those in Europe (*first and foremost* the American markets to which Viva was addressing a large part of its offer), it accelerated the path towards diversification of the distribution channels (balance between the "sight" and "sun" segments, *Luxury* and *Diffusion*, men's and women's), contributing to reducing the risk of possible contractions in sales volumes as a consequence of recessionary economic phenomena.

With reference to other uncertain factors that could create a negative impact on the Group's and the Company's economic results, such as rising energy prices, and/or fluctuating raw material prices, but in such circumstances it is reasonable to believe that it is possible to reverse the effects on sales prices, limiting the impact on economic results and consequently on the Company’s self-financing capacity.
In addition, in the event of a particularly significant contraction in sales volumes and/or sales prices, the Group and the Company believe that they will be able to implement actions in the short term to contain their cost structure, in order to minimise the possible negative impact on the economic and financial position situation.

Finally, the negative economic/financial context characterising some markets, in particular the Russian/Ukrainian market as a result of the war events that began in February 2022, may certainly lead to an increase in the risk of recoverability of trade receivables, at least in the most difficult situations.
In this regard, it should be noted that, as part of its risk management policy in relation to exposure to customers, the Company has adopted a *Credit Management* Department, implementing all possible actions to manage the risk at the time of customer evaluation, shipment, and finally to ensure prompt recovery of non-performing trade receivables, closely monitoring new positions or those considered at risk, commercial credit lines and extensions granted, in agreement of the commercial departments. On this point, please refer to the paragraph on subsequent events in the Notes to the Financial Statements.

***Cash flow risk***

Since the end of 2013, with the first bond issue, subsequently repaid through the issuance of a new bond at the beginning of 2017, which was in turn repaid through the issuance of a new bond in May 2021, the funding methods that Marcolin used in the past, through the use of ordinary financial market solicitations, i.e., short or medium-long term loans activated with leading market operators, often with bilateral agreements, have been completely changed.
The bond loans have in fact placed the Group and the Company in a condition of relative stability, at least until the maturity of the last issue scheduled for the end of 2026.

In addition to the 2021 bond issue, a revolving credit line (the so-called *Super Senior Revolving Credit Facility*), was added, to be used to address temporal mismatch between receipts and payments, or treasury needs due to the normal trend of ordinary operations, in the presence, for example, of ordinary investments.
This line, totalling 46 million euro (unused at 31 December 2021), is deemed adequate to support the Group and the Company for ordinary financial needs.
In addition, at 31 December 2021, there were additional unused credit lines with primary market operators for a total of approximately 5.2 million euro, referring to self-liquidating lines available for short-term treasury needs.
The Parent Company also had access to new bank loans as well as alternative forms of financing, such as *leasing*, *factoring, and reverse factoring*, to support investments in new projects and manage working capital.
With the new bond issue subscribed in May 2021, Marcolin S.p.A repaid the 50 million euro loan issued in 2020 by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch (the "Lenders") and with UniCredit S.p.A. as coordinator of SACE maturing in 2025. This loan benefited from a guarantee equal to 90% of the amount of the loan issued by SACE S.p.A. pursuant to the Liquidity Decree of 8 April 2020 (subsequently converted into law) issued by the Italian Government as part of the urgent extraordinary measures promoted to deal with both the economic and social aspects of the Covid-19 epidemic. This financing was repayable in quarterly instalments from June 2022 until June 2025. Finally, it should be noted that on 24 June 2020, as part of the liquidity support measures mentioned above, 3 Cime S.p.A. disbursed to Marcolin S.p.A. a 25 million euro subordinated shareholder loan with an original maturity date of December 2025 following the repayment of the new bond loan which will mature in November 2026, with interest at maturity and similar to a capital loan.

Both the bond and the ssRCF line together require compliance with certain financial covenants in addition to certain guarantees. Until 31 March 2022, there is a "*minimum liquidity covenant*", set at 10 million euro as the minimum level of cash including any available unused credit lines, to be calculated on a quarterly basis by Marcolin S.p.A. From 30 June 2022, it will be replaced by the *"Total Net Leverage ratio covenant"* (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the agreement also includes, on a residual basis, certain disclosure obligations, other general commitments and certain limitations on the performance of certain investment and financing activities, commensurate with the capacity present in the calculation of certain *baskets*. It should be noted that as at 31 December 2021, all covenants have been complied with and are expected to be complied with also for 2022 on the basis of the available financial budgets.

Although significant and sudden reductions in sales volumes could have a negative impact on the ability to generate cash from its operations, in the current circumstances the Group and the Company expect to maintain an adequate capacity to generate financial resources through ordinary operations.
Therefore, Marcolin Group believes that it can meet the needs arising from maturing financial debt and the investments envisaged in the approved plans, using cash flows from operations (self-financing for the year), available liquidity, the use of the revolving line mentioned above, the bank lines currently available, and funding through *leasing*, *factoring and reverse factoring*.

***Risks associated with fluctuations in exchange and interest rates***

Marcolin Group and Marcolin S.p.A. operate in several markets throughout the world and are therefore exposed to risks connected with fluctuations in exchange and interest rates.
The exposure to exchange rate risks is due to the different geographical distribution of its production and commercial activities. In particular, the Group and the Company are mainly exposed to the fluctuation of the U.S. dollar with respect to supplies received from Asia and sales conducted in U.S. dollars, and, to a lesser extent, the Brazilian real, British pound, Hong Kong dollar, Russian ruble, and Canadian dollar.

The exchange rate risk is divided into risk from transactions in currencies other than the euro and risk from the translation of Financial Statements prepared in currencies other than the euro.

Transaction risk is generated by sales and costs incurred in currencies other than the euro, mainly the U.S. dollar for sales and procurement of goods from Asian suppliers. Although exchange rate fluctuations could affect the Group's economic results, we believe that the structure of revenues and expenses in foreign currencies allows the Group to maintain a natural hedge of the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of purchases in foreign currency.
In the past, the Group entered into contracts to hedge the exchange rate risk (forward currency purchase or sale transactions), which were no longer entered into starting from 2016, due to the natural hedge from which the Group benefits from as a result of the current currency structure of its income statement.

Translation risk arises because some consolidated revenues and expenses originate from Group companies whose functional currency differs from the euro. In the preparation of the Consolidated Financial Statements, assets and liabilities are translated at the closing exchange rate of the reporting date and expenses at the average exchange rate for the reporting period. This results in changes in the movement of the Translation Reserve, a component of the consolidated equity. The main companies of the Group whose functional currency differs from the euro are Marcolin USA Eyewear Corp., Marcolin UK Ltd (including the Hong King branch) and Marcolin do Brasil Ltda.

With reference to the risk of changes in interest rates, the Marcolin Group uses mainly fixed-rate financing, in particular with reference to the bond signed in 2021, which provides for a fixed interest rate of 6.125%.

Any further information related to risks and hedging instruments used by the Group in this respect is provided in the Notes to the financial statements.

***Risks related to the ability to negotiate and maintain licence agreements***

The markets in which the Group and the Parent Company operate are highly competitive in terms of product quality, innovation and economic conditions.
Marcolin's success is partially due to its capacity to introduce products with innovative and constantly renewed designs, its continuous research into new materials and new productive processes, and its ability to adapt to consumers' changing tastes, and anticipating changes in fashion trends and reacting to such shifts in a timely manner.

The Company has entered into multi-year licensing agreements that allow it to produce and distribute prescription frames and sunglasses under brands owned by third parties. If in the long-term the Group and the Company were unable to maintain or renew their licensing agreements at market conditions, or if they were unable to enter into new licensing agreements with other successful brands, the growth prospects and economic results of Marcolin Group and Marcolin S.p.A. could be negatively impacted.

For this reason, the Group and the Company work constantly toward renewing existing licenses and procuring new licenses that will allow them to maintain their long-term prospects.
In 2021, these activities produced a positive response, as described in the Group's Management Report. Many interventions have been successfully carried out, particularly in terms of extending the duration of licences.

Moreover, all existing licensing agreements provide for guaranteed minimum annual royalties in favour of the licensor, which should therefore be paid even in the event of a drop in the relative turnover below certain thresholds (so-called "guaranteed minimums"), with possible negative effects on the Group's economic and financial results.
The Group and the Company monitor these situations closely, in order to not prejudice the economic performance of the period as a result of situations of under-absorption of these fixed costs with respect to the revenue volumes achieved.

***Supplier relationship risks***

The Group and the Company also use third-party manufacturers and suppliers for the production and/or processing of some of their products.
The use of third-party manufacturers and suppliers entails additional risks, such as the risk of termination and/or cancellation of contractual agreements, shortcomings in the quality of products supplied and services rendered, delays in the delivery of goods ordered and fluctuations in the prices of raw materials and their transport costs.
Delays or defects in products supplied by third parties, or the interruption or termination of existing contracts without having adequate alternative sources, could have a negative impact on the Group's business, results of operations and financial position.
Third-party manufacturers and suppliers, located mainly in Italy and Asia, are submitted to continuous checks by relevant company departments to verify compliance with adequate quality and service *standards*, also including those relating to delivery timing and methods, in the *trade-off* with correct prices with respect to the target margins.
The Group and the Company carefully monitor this risk, maintaining constant control over procurement markets, also in order to identify alternative producers and suppliers in case of temporary or structural difficulties with the current suppliers.
With respect to procurement, the Group directly monitors the operations of Asian suppliers through specific subsidiaries, in terms of both quantity and quality (quality, reliability and service), also in light of the particular social and economic dynamics characterising the supply market.
To mitigate this risk, it should also be noted that the plant in Longarone (located in Fortogna), opened in 2015, made it possible to double the production of *Made in Italy* products compared to the previous year, thus diluting the incidence of dependence on third-party suppliers.
As regards the risk connected to the fluctuation of the prices of raw materials, energy and transport costs, the Company believes that, as previously described, thanks to the diversification of suppliers and sales channels, it is able to mitigate this risk by reversing the effects on sales prices and, in the event of a reduction in sales volumes,

the Company believes it will be able to contain its structural costs in the short term in order to minimise the negative impact.
Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which allows for the shortening of manufacturing *lead time* and thus an increase in the ability to seize market opportunities (and improve the *time to market*), and the possibility of managing the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.

***Risks associated with the Covid-19 pandemic***

The spread of the coronavirus has been and still is a complex and unprecedented global emergency in the modern world, with implications of global significance at the health, social, political, economic and geopolitical levels. Since the beginning of the pandemic, the Marcolin Group has taken all available measures to ensure the health and safety of its employees as well as to protect its profitability and financial parameters. The new economic scenario threatened by the pandemic has focused management's strategy on strengthening the financial structure through recontracts with major suppliers, increasing the efficiency of the supply chain through the implementation of new projects, production and commercial development of brands, and general streamlining of business processes. The common denominator of all these projects is the drive for digitalisation, both in terms of processes and marketing developments. However, despite the initiatives planned and undertaken, it cannot be excluded that the continuation of the Covid-19 pandemic, also in future years, may have a negative impact on the Group's results. Management has carefully assessed the impact of this uncertainty on the accounting estimates and therefore also on the recoverability of the company's main assets, including in the forward-looking scenarios the risk elements related to the potential impacts of the Covid-19 pandemic.

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# OTHER INFORMATION

***Human resources***

Marcolin believes that the value of human resources is a key success factor for the Company.

Their training, development and enhancement continue to constitute an investment in the consolidation and development of the Group's and the Company's activities.

In 2021, the company's *Flexible Benefit* project to support employees continued in collaboration with the company Willis. Each individual employee can build his or her own benefit plan by deciding how to invest his or her allocated quota.

The UniSalute Health Policy has been renewed for 2021, maintaining the guarantees included in the initial package as well as the additional guarantees activated in 2020, such as the Video-Psychotherapy service, the Tele and Video Medical Consultation service and physiotherapy treatments. The year 2021 also saw the expansion of the women's prevention package with the introduction of additional screening activities to those already in place.

With reference to the project "*Smart Work, Smart Life*", also for 2021, the "Matilda Service" was renewed, aimed at supporting work/life balance by offering a package of services that can be used through the use of an application for employees only. The App specifically allows you to delegate certain activities that would otherwise have to be carried out after working hours, such as car management or the booking of certain personal services.

For the year 2021, the *learning* area was once again engaged in transforming most of the courses activated from "in-person mode" to "remote-learning mode", with the aim of guaranteeing the continuation of the training courses and limiting as much as possible the opportunities for meetings in person, given the continuation of the pandemic situation. We can say that, in the course of 2021, this mode has become increasingly consolidated.

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At 31 December 2021, the Group had 1,847 employees (1,723 at the end of 2020), as shown in the table below. The indicator depicts the headcount at 31 December 2021 and does not include independent agents working exclusively for the Group and the Company.

| **Employees** | **Final number** | | **Average number** | |
|---|---|---|---|---|
| **Category** | **12/31/2021** | **12/31/2020** | **2021** | **2020** |
| Managers | 73 | 71 | 71 | 76 |
| Staff | 1062 | 989 | 1,037 | 1,023 |
| Manual workers | 712 | 663 | 694 | 678 |
| **Total** | **1,847** | **1,723** | **1,802** | **1,777** |

For the parent company Marcolin S.p.A., as at 31 December 2021 the number of employees was 927 (in 2020 it will be 869), broken down as follows:

| **Employees** | **Final number** | | **Average number** | |
|---|---|---|---|---|
| **Category** | **12/31/2021** | **12/31/2020** | **2021** | **2020** |
| Managers | 24 | 21 | 22 | 21 |
| Staff | 343 | 331 | 338 | 339 |
| Manual workers | 560 | 517 | 539 | 525 |
| **Total** | **927** | **869** | **899** | **885** |

It should be noted that the figures shown also include temporary workers employed to meet the peak demand. As already mentioned, the growth mainly relates to the increase in workers employed in the production and distribution departments at the Longarone site.

### *National and second-level collective bargaining agreements*

The collective agreement was renewed on 10 June 2021. On the economic side, the increases in contractual minimums provided for in the agreement were paid in two tranches in July 2021 and January 2022 respectively.

The company's supplementary agreement, which expires at the end of 2021, is currently being negotiated between the trade unions. Over the years in which it has been in force, the attention given to the work-life balance (special leave, part-time management and reduced hours, flexible hours, parental leave and leave of absence), the introduction of the health policy for all employees and the flexible benefits have certainly been appreciated.

From July 2021, the Company introduced the Value Added Professionalism Bonus, a variable incentive awarded on the basis of the adoption of specific organisational behaviours, determining and qualifying the way in which work is carried out.

### *Employee Welfare and Family Support Activities*

The Corporate Welfare programme has maintained for 2021 the possibility of being managed autonomously by the employee through an online portal where he/she can choose from various services under the plan such as, for example, services related to education, sports, elderly/childcare, shopping vouchers and others. For reimbursements of medical and/or educational expenses, reimbursement windows were defined upstream within which the loaded invoices were settled.
For the year 2021, it was also possible to provide for the reimbursement, through corporate welfare, of expenses incurred as of 1 January for the purchase of PCs, laptops and tablets to enable remote learning.

With regard to *smart working*, after the pandemic crisis, it was extended to all roles where compatible with the job, also following the indications of government directives.

### *Research and development*

The Company continued to conduct research and development activities throughout 2021.

Research and development activities are carried out by the Parent Company, Marcolin S.p.A., through two divisions. The first division works in close partnership with licensors to design new collections, hone style and research new materials for sunglasses and eyeglass frames.
The second division, which works closely with the first, oversees the subsequent development of collections and product manufacturing.

### *Intra-Group and related-party transactions*

Related-party transactions, including intra-Group transactions, cannot be defined as either atypical or unusual, as they are part of the normal intercompany business activities.
Such transactions take place at market conditions, taking into account the nature of the goods and services supplied.
Detailed information on related-party transactions is provided in the Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements of Marcolin S.p.A.

### *Treasury shares*

At the date of preparation of this annual financial report, the parent company Marcolin S.p.A. does not hold any treasury shares or shares in parent companies, either directly or indirectly.

***Personal data protection***

Pursuant to the new European legislation, the General Data Protection Regulation ("GDPR") enacted on 25 May 2016 and effective from 25 May 2018, activities were implemented to evaluate the data protection systems of the Group companies subject to such legislation.
The activities found substantial compliance with the legislative requirements for the protection of the personal data processed by such companies, including the preparation of the Security Planning Document, which is constantly updated.

***Branches***

Marcolin S.p.A. operates from its headquarters in Longarone and with qualified contract manufacturers.
The operational premises are as follows:

- its headquarters in Longarone (Belluno), in zona industriale Villanova n. 4 (registered office, executive offices and operations);
- a logistics centre and warehouse in Longarone (Belluno), in zona industriale Villanova n. 20 H;
- a manufacturing facility in Longarone (Belluno), via Fortogna 184/C (Fortogna district);
- a manufacturing facility in Quero Vas (Belluno), Zona Artigianale n. 1;
- *show-room* and sales office in Milan, Corso Venezia, 50.
- a warehouse in Alpago (Belluno), Via dell’Artigianato 67.

The non-operational premises are as follows:

- the former Finitec premises in Zona Industriale Villanova S.N.C.;
- the premises in Domegge di Cadore (Belluno), Via Noai n. 31, Vallesella di Cadore district.

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MANAGEMENT EVOLUTION
CONVENING THE MEETING
PROPOSED RESOLUTION

# OUTLOOK AND NEWS ON THE FORESEEABLE DEVELOPMENT OF OPERATIONS

For Marcolin, after the last few years dedicated to repositioning, reorganisation and, above all, development activities, 2022 will be a year of consolidation and further growth, thanks to the full deployment of the positive effects of the initiatives successfully carried out in previous years and the most recent strategic projects.

The strategy for the Italian eyewear industry and for Marcolin essentially remains one of internationalization, seizing the opportunities offered on international markets.

Today, Marcolin is based on an optimal balance between its product offering (between *Luxury* and *Diffusion* lines, men's and women's product lines, and eyeglasses and sunglasses) and its geographical presence.

The important scale and balance achieved in the organisational structure are strengths that will enable the Group to more effectively pursue the consolidation of its existing brand portfolio and the introduction of new licenses, in keeping with the Group's growth targets in strategic markets, particularly in the more dynamic areas (including the United States, Middle East, Far East and emerging markets).

The ever-increasing attention dedicated to issues such as innovation, certified quality, exclusive and original designs, capable of giving and perceiving added value, is an integral part of Marcolin's strategic thinking.

Milan, 17 March 2022

for the Board of Directors

C.E.O.
Signed: Fabrizio Curci

# NOTICE OF GENERAL MEETING

The shareholders of Marcolin S.p.A. are called to the Ordinary Shareholders' Meeting at the company's registered office in Milan, Corso Venezia 50, in first instance on April 28, 2022 at 10.00 AM and in second instance on 29 April 2022, same place and time, to deliberate on the following:

**Agenda**

- Approval of the Financial Statements as at 31 December 2021, Report of the Board of Directors, Report of the Board of Statutory Auditors, Report of the Independent Auditors;
- Presentation of the Consolidated Financial Statements as at 31 December 2021 of the Marcolin Group and related Reports;
- Appointment of the members of the Board of Directors, after determining their number and determining their remuneration; related and consequent resolutions;
- Appointment of the members of the Board of Statutory Auditors; determination of remuneration;
- Appointment for the legal audit of the accounts, pursuant to Article 2409-bis of the Italian Civil Code and Legislative Decree 39/2010 and determination of the fee;
- Resolutions thereon.

The right to attend the General Meeting, the right to proxies and the possibility to attend the General Meeting through electronic means of communication are regulated in Articles 14 and 15 of the Corporate By-Laws currently in effect.

Milan, 17 March 2022

for the Board of Directors

the Chairman
Signed: Vittorio Levi

# PROPOSED RESOLUTION

Shareholders,

The Financial Statements of Marcolin S.p.A. submitted to you present a true and fair view of the Company's financial position, financial performance and cash flows for the year.

We therefore invite the Company's shareholder, 3 Cime S.p.A., to approve, as proposed, the Financial Statements for the year ended 31 December 2021.

With regard to the profit for the year, which amounted to 106,897,967 euro, we propose to allocate it as follows:

1. to the Legal Reserve in the amount of 743,433 euro, which allowed this reserve to reach the maximum allowed by Article 2430 of the Italian Civil Code, equal to one fifth of the value of the share capital;
2. to cover losses carried forward from previous financial years in the amount of 37,687,673 euro;
3. to carry forward the residual component in the amount of 68,466,861 euro.

Accordingly, after such allocation, the retained earnings/(losses) will have a balance of 160,760,829 euro.

Milan, 17 March 2022

for the Board of Directors

the Chairman
Signed: Vittorio Levi

# CONSOLIDATED FINANCIAL STATEMENTS OF THE MARCOLIN GROUP AT 31 DECEMBER 2021

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (euro/000) | Note | 12/31/2021 | 12/31/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 1 | 43,506 | 43,047 |
| Intangible assets | 2 | 44,577 | 43,263 |
| Goodwill | 2 | 287,720 | 280,277 |
| Investments in subsidiaries and associates | 3 | - | - |
| Deferred tax assets | 4 | 52,223 | 48,539 |
| Other non-current assets | 5 | 842 | 271 |
| Non-current financial assets | 6 | 238 | 1,025 |
| **Total non-current assets** | | **429,106** | **416,422** |
| **CURRENT ASSETS** | | | |
| Inventories | 7 | 103,307 | 105,863 |
| Trade receivables | 8 | 70,762 | 71,652 |
| Other current assets | 9 | 30,093 | 26,039 |
| Current financial assets | 10 | 899 | 18,906 |
| Cash and cash equivalents | 11 | 228,848 | 52,363 |
| **Total current assets** | | **433,909** | **274,824** |
| **TOTAL ASSETS** | | **863,015** | **691,246** |
| **EQUITY** | 12 | | |
| Share capital | | 35,903 | 35,902 |
| Additional paid-in capital | | 170,304 | 170,304 |
| Legal reserve | | 6,437 | 6,437 |
| Other reserves | | 47,441 | 37,698 |
| Retained earnings (losses) | | (162,394) | (75,322) |
| Profit (loss) for the period | | 151,873 | (56,824) |
| **Group equity** | | **249,564** | **118,195** |
| Non controlling interests | | 1,463 | 1,100 |
| **TOTAL EQUITY** | | **251,025** | **119,295** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current financial liabilities | 13 | 383,220 | 340,859 |
| Non-current funds | 14 | 7,107 | 6,763 |
| Deferred tax liabilities | 4 | 4,728 | 4,836 |
| Other non-current liabilities | 15 | 752 | 167 |
| **Total non-current liabilities** | | **395,807** | **352,625** |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 16 | 146,894 | 94,624 |
| Current financial liabilities | 17 | 22,100 | 70,491 |
| Current funds | 18 | 18,298 | 31,618 |
| Tax liabilities | 29 | 6,815 | 3,491 |
| Other current liabilities | 19 | 22,075 | 19,101 |
| **Total current liabilities** | | **216,182** | **219,326** |
| **TOTAL LIABILITIES** | | **611,989** | **571,951** |
| **TOTAL LIABILITIES AND EQUITY** | | **863,015** | **691,246** |

# CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(euro/000)* | Note | 2021 | % | 2020 | % |
|---|---|---|---|---|---|
| Net revenues | 21 | 455,374 | 100.0% | 339,978 | 100.0% |
| Cost of sales | 22 | (197,818) | (43.4)% | (155,543) | (45.8)% |
| **GROSS PROFIT** | | **257,556** | **56.6%** | **184,435** | **54.2%** |
| Distribution and marketing expenses | 23 | (210,761) | (46.3)% | (167,085) | (49.1)% |
| General and administrative expenses | 24 | (36,839) | (8.1)% | (38,813) | (11.4)% |
| Other operating income/(expenses) | 26 | 1,454 | 0.3% | (5,808) | (1.7)% |
| **OPERATING INCOME – EBIT** | | **11,410** | **2.5%** | **(27,271)** | **(8.0)%** |
| Profit/(loss) from associates | 27 | 166,764 | 36.6% | (18,029) | (5.3)% |
| Financial income | 28 | 8,485 | 1.9% | 11,309 | 3.3% |
| Financial costs | 28 | (29,878) | (6.6)% | (34,145) | (10.0)% |
| **PROFIT (LOSS) BEFORE TAXES** | | **156,781** | **34.4%** | **(68,135)** | **(20.0)%** |
| Income tax expense | 29 | (3,980) | (0.9)% | 11,125 | 3.3% |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **152,801** | **33.6%** | **(57,010)** | **(16.8)%** |
| **Profit (loss) attributable to:** | | | | | |
| - owners of the parent | | 151,873 | 33.4% | (56,824) | (16.7)% |
| - non-controlling interests | | 928 | 0.2% | (186) | (0.1)% |

| *(euro/000)* | 2021 | 2020 |
|---|---|---|
| **NET PROFIT (LOSS) FOR THE PERIOD** | **152,801** | **(57,010)** |
| *Other items that will be not subsequently reclassified to profit or loss:* | | |
| Effect (actuarial gain/losses) on defined benefit plans, net of | (32) | (1) |
| **TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **(32)** | **(1)** |
| *Other items that will be subsequently reclassified to profit or loss:* | | |
| Change in foreign currency translation reserve | 6,514 | (10,389) |
| Change in exchange rate difference on quasi equity loan | 3,409 | (5,229) |
| **TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **9,923** | **(15,618)** |
| **TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE** | **162,691** | **(72,629)** |
| **Profit (loss) attributable to:** | | |
| - owners of the parent | 161,616 | (72,249) |
| - non-controlling interests | 1,076 | (380) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | | | Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(euro/000)* | **Share capital** | **Additional paid-in capital** | **Legal Reserve** | **S.holders deposit in s/capital** | **Translation reserve** | **Other** | **Actuarial gain / (loss) reserve** | **Retained earnings/ (losses)** | **Profit (loss) for the period** | **Capital and reserves net total** | **Non-controlling interests in equity** | **Total equity** |
| **December 31, 2019** | **35,902** | **170,304** | **5,483** | **46,108** | **9,910** | **(2,476)** | **(31)** | **(58,135)** | **(16,233)** | **190,832** | **5,910** | **196,742** |
| Allocation of 2019 loss | - | - | 954 | - | - | - | - | (17,187) | 16,233 | - | - | - |
| Dividends distribution | - | - | - | - | - | - | - | - | - | - | (1,184) | (1,184) |
| Third Party Acquisition | - | - | - | - | - | (388) | - | - | - | (388) | (3,245) | (3,634) |
| - Period result | - | - | - | - | - | - | - | - | (56,824) | (56,824) | (186) | (57,010) |
| - Other components of comprehensive income | - | - | - | - | (10,195) | (5,229) | (1) | - | - | (15,425) | (194) | (15,619) |
| Total comprehensive income | - | - | - | - | (10,195) | (5,229) | (1) | - | (56,824) | (72,249) | (380) | (72,629) |
| **December 31, 2020** | **35,902** | **170,304** | **6,437** | **46,108** | **(285)** | **(8,093)** | **(32)** | **(75,322)** | **(56,824)** | **118,195** | **1,100** | **119,295** |
| Allocation of 2020 loss | - | - | - | - | - | - | - | (56,824) | 56,824 | - | - | - |
| Dividends distribution | - | - | - | - | - | - | - | (154) | - | (154) | (714) | (868) |
| Acquisition and cancellation of treasury Stock | - | - | - | - | - | - | - | (30,094) | - | (30,094) | - | (30,094) |
| - Period result | - | - | - | - | - | - | - | - | 151,873 | 151,873 | 928 | 152,801 |
| - Other components of comprehensive income | - | - | - | - | 6,366 | 3,409 | (32) | - | - | 9,743 | 148 | 9,891 |
| Total comprehensive income | - | - | - | - | 6,366 | 3,409 | (32) | - | 151,873 | 161,616 | 1,076 | 162,691 |
| **December 31, 2021** | **35,902** | **170,304** | **6,437** | **46,108** | **6,081** | **(4,684)** | **(64)** | **(162,394)** | **151,873** | **249,563** | **1,463** | **251,025** |

# CONSOLIDATED CASH FLOW STATEMENT

| *(euro/000)* | **Note** | **12/31/2021** | **12/31/2020** |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| *Profit (loss) for the period* | | 152,801 | (57,010) |
| Depreciation and amortization | 1.2 | 27,129 | 27,523 |
| Provisions | 14.18 | 9,030 | 14,727 |
| Income tax expense | 29 | 3,980 | (11,125) |
| Accrued interest expense | 28 | 21,393 | 22,836 |
| Adjustments to other non-cash items | | (166,804) | 17,953 |
| *Cash generated by operations* | | *47,529* | *14,903* |
| *Cash generated by change in operating working capital* | | *47,091* | *(34,949)* |
| (Increase) decrease in other assets | 5.9 | 1,894 | (2,964) |
| (Decrease)/increase in other liabilities | 15.19 | 1,431 | (12,964) |
| (Use) of current and non-current provisions | 14.18 | (996) | (1,171) |
| (Decrease)/increase in current tax liabilities | 29 | (3,311) | 6,520 |
| *Other elements in working capital* | | *(985)* | *(10,579)* |
| Income taxes paid | | (1,473) | (1,831) |
| Interest received | | 567 | 317 |
| Interest paid | | (18,948) | (14,198) |
| *Total cash generated by change in other items of net working capital* | | *(20,838)* | *(26,291)* |
| *Net cash from /(used in) net working capital* | | *26,253* | *(61,239)* |
| **Net cash from /(used in) operating activities** | | **73,782** | **(46,336)** |
| **INVESTING ACTIVITIES** | | | |
| (Purchase) of property, plant and equipment | 1 | (9,328) | (6,626) |
| Disposal of property, plant and equipment | 1 | 39 | 75 |
| (Investments) in intangible assets | 2 | (7,126) | (6,287) |
| Net (Investments)/disposal in investment in subsidiaries and associates | 3 | 158,000 | - |
| **Net cash from /(used in) investing activities** | | **141,585** | **(12,838)** |
| **FINANCING ACTIVITIES** | | | |
| *Financial Assets* | | | |
| - (Proceeds) | 6,10 | (4,900) | (1,257) |
| - Repayments | 6,10 | 14,641 | - |
| *Financial Loans from banks* | | | |
| - Proceeds | 13.17 | 350,000 | 52,000 |
| - (Repayments) | 13.17 | (344,957) | (2,691) |
| Loans from shareholders | 13.17 | - | 25,000 |
| Principal elements of lease payments | | (3,827) | (6,054) |
| Other current and non current financial liabilities | 6,10,13,17 | (15,118) | 1,900 |
| Transactions with non-controlling interests | Mov. PN | (30,094) | |
| Acquisto quote da soci di minoranza | | (3,634) | - |
| **Net cash from /(used in) financing activities** | | **(38,603)** | **67,713** |
| **Net increase/(decrease) in cash and cash equivalents** | | **176,764** | **8,539** |
| Effect of foreign exchange rate changes | | (279) | (2,048) |
| **Cash and cash equivalents at beginning of year** | | **52,363** | **45,872** |
| **Cash and cash equivalents at end of year** | | **228,848** | **52,363** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

***Introduction***

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no express par value.

As of 31 December 2021, the share capital is 100% owned by the shareholder 3 Cime S.p.A.

The shares of Marcolin S.p.A. held by the shareholder 3 Cime S.p.A. are encumbered by pledge rights agreed at the time of the issue of a bond loan on 27 May 2021, backed by collateral for the exact fulfilment of the financial obligations undertaken towards the bulk of the holders of the bonds covered by the loan, including a lien on the shares of the Issuer Marcolin.

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***General Information***

The following notes form an integral part of the Marcolin Group's consolidated financial statements and have been prepared in accordance with the accounting records updated to 31 December 2021.

For the purpose of providing exhaustive financial information, the Report on the Operations of Marcolin Group and Marcolin S.p.A. has been prepared, containing additional information regarding the main events of the year, subsequent events, business outlook and other important financial and operational information regarding the business.

These Financial Statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, except for the measurement of financial assets and liabilities, which are required to be accounted for at fair value.

The Consolidated Financial Statements for the year ended 31 December 2021 include the Financial Statements of the parent company Marcolin S.p.A. and its Subsidiaries.

Marcolin S.p.A. is incorporated under Italian law, listed in the Companies Register of Belluno with no. 01774690273, and has shares that until 14 February 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange), organised and managed by Borsa Italiana S.p.A. Marcolin S.p.A. is the Parent Company of Marcolin Group, which operates in Italy and abroad in the *design*, manufacturing and distribution of prescription frames and sunglasses, including by way of direct and indirect management of affiliates and partnerships located in major countries of interest worldwide, and through the management of qualified contract manufacturers.

The addresses of the locations from which the Parent Company's main operations are performed are listed in the Report on Operations, while the list of locations in which the subsidiaries and associated companies are located is provided below.

| Company | HQ | Adress |
|---|---|---|
| Marcolin Asia HK Ltd | Hong Kong | Units 2903-2907, Tower 1, Metroplaza, Kwai Fong, Hong Kong |
| Marcolin Benelux Sprl | Villers-Le-Bouillet, Belgio | Rue Le Marais 14B |
| Marcolin do Brasil Ltda | Barueri - SP, Brasile | Av Tamboré, 1180 - 06460-000 |
| Marcolin Deutschland Gmbh | Colonia, Germania | Waidmarkt 11a |
| Marcolin France Sas | Parigi, Francia | 45, rue Saint Sébastien - 75011 |
| Marcolin GmbH | Muttenz, Svizzera | c./o Ageba Treuhand AG Hofackerstr. 3a 4132 |
| Marcolin Iberica SA | Barcellona, Spagna | Juan De Austria, 116 - 4a Planta - 08018 |
| Marcolin Nordic AB | Stoccolma, Svezia | Roslagsgatan 33 |
| Marcolin Portugal Lda | Lisbona, Portogallo | Rua Jose Travassos, 15/B 1600-410 |
| Marcolin Technical Services (Shenzhen) Co. Ltd | Shenzhen, PRC | Regus Business Centre, Unit 2663 Anlian Centre, 4018 Jin Tian Road, Futian District, |
| Marcolin UK Ltd | London, UK | Ground Floor, 140 Old Street, London EC1V 9BJ. |
| Marcolin USA Eyewear Corp. | Somerville, Usa | Route 22 west, 3140 - 08876 NJ |
| Marcolin Singapore Pte Ltd | Singapore | 8 Marina Boulevard, Unit 04-04, Tower 1, Marina Bay Financial Centre |
| Marcolin PTY Limited | Sidney, Australia | SUITE 3302, Level 33, 100 Miller Street |
| Marcolin-RUS LLC | Mosca, Russia | Building 1, 8 Bolshoy Chudov Pereulok |
| Marcolin Middle East FZCO | Dubai Airport Freezone, UAE | 1, Sheikh Zayed Road, The H Dubai, Office Tower, Level 22, P.O. Box 121 |
| Marcolin México S.A.P.I. de C.V. | Naucaplan de Juarez, México | Av.16 de Septiembre No.784 Col.Alce Blanco C.P.53370 |
| Marcolin Eyewear (Shanghai) Co., Ltd. | Shanghai, PRC | Room 4603 - 4605, Tower 2, Plaza 66, No.1266 Nanjing West Road, Jing'an District |
| Gin Hong Lin Intenational Co Ltd | Hong Kong | Suites 2602-06, Tower 2, The Gateway, Harbour City, TST, Kowloon, |
| Shanghai Ginlin Optics Co Ltd | Shanghai, PRC | Room 702, Building 2, No.1177, Husong Roard |
| Viva Eyewear Hong Kong Ltd | Hong Kong | Workshop A-E, 8th Floor, Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung |
| Viva Eyewear UK Ltd - in liquidazione | North Yorkshire, Regno Unito | 1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB |

### *Reference currency*

These Financial Statements are presented in the Parent Company's reference currency (euro).
For the purpose of clarity, the amounts in the Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Notes to the Financial Statements are presented in thousands of euro (unless specified otherwise). As a result of presenting the amounts in thousands of euro, immaterial differences in the totals may emerge due to rounding off.

### *Italian tax consolidation*

The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 et seq. of 22 December 1986 (Italian Tax Code or "TUIR"), which allows the determination of one single corporate income tax (IRES) tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime S.p.A., which acts as the consolidating entity.
Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimise the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.
Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.
The tax consolidation transactions are summarised below:

- in years with taxable income, the Company pays 3 Cime S.p.A. the additional tax due by it to the tax authorities;
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realised, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. and the Company do not renew the tax consolidation option, or if the requirements for the continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

### *Issuance*

It should be noted that the Financial Statements were authorised for publication by the Board of Directors on 17 March 2022..

# ACCOUNTING STANDARDS

***Basis of preparation***

The Financial Statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* ("IASB") and approved by the European Union.
The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the *International Financial Reporting Interpretations Committee* ("IFRIC"), the former *Standing Interpretations Committee* ("SIC"), which, at the date of approval of the Financial Statements, had been authorised by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on 19 July 2002.

The accounting policies adopted for the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the previous year, except for the adoption of the following new or revised IFRSs or IFRICs.

The Marcolin Group's consolidated financial statements for the year ended 31 December 2021, approved by the Company's Board of Directors on 17 March 2022, have been prepared on a going concern basis. The Directors verified the absence of any financial, business or other types of indicators that could signify issues in regard to the Group's ability to meet its obligations in the foreseeable future, and specifically in the next 12 months.

A description of the ways in which the Group manages financial risks is contained in the section on "financial risk factors" in the Marcolin Group's Notes to the Financial Statements.

***New accounting standards and interpretations endorsed by the European Union and effective from 1 January 2021***

The following new standards and amendments became effective on 1 January 2021:

*Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*
Approved by the European Union on 30 August 2021 by Regulation No. 2021/1421; effective 1 April 2021

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*
Approved by the European Union on 13 January 2021 by means of Regulation No. 2021/25

*Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19*
Approved by the European Union on 15 December 2020 through Regulation No. 2020/2097

***New accounting standards and interpretations approved by the European Union and effective for periods after 31 December 2021***

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*
Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

*Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.*
Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

*IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17*
Approved by the European Union on 19 November 2021, it will enter into force on 1 January 2023.

There are no additional accounting standards endorsed by the European Union and effective for financial years subsequent to 31 December 2021 that are expected to have a significant impact on the company in the following financial year or in the foreseeable future.

***New accounting standards and interpretations published by the IASB but not yet approved by the European Union***

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, not yet approved by the European Union as at the date of approval of this document, are set forth below:

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date.* Issued on 23 January 2020 and 15 July 2020 respectively, they will become effective on 1 January 2023

*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.* Issued on 7 May 2021, it will come into force on 1 January 2023

*Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* Issued on 9 December 2021, it will come into force on 1 January 2023

It should be noted that no accounting standards and/or interpretations have been applied in advance, the application of which would be mandatory for periods beginning after 31 December 2021.

The Company is evaluating the effects of the application of the above new standards, which are currently not considered significant.

***Financial statement format***

The Consolidated Financial Statements consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and the related Notes.
To provide for comparability, the previous period data was restated as necessary, with explanations given of the restatements.

The Company and the Group prepared the Financial Statements on the basis of the following accounting policies.

***Statement Of Financial Position***

Assets and liabilities are classified separately as either current or non-current as envisaged by IAS 1.
An asset is classified as current when it satisfies any of the following criteria:
(a) it is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle;
(b) it is held primarily for the purpose of being traded;
(c) it is expected to be realised within twelve months from the end of the reporting period; or
(d) it is cash or a cash equivalent.
All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:
(a) it is expected to be settled in the entity’s normal operating cycle;
(b) it is held primarily for the purpose of being traded;
(c) it is due to be settled within twelve months from the end of the reporting period; or
(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.
All other liabilities are classified as non-current.

As necessary, in accordance with IFRS 5, assets (and related liabilities) for which the book value will be recovered mainly through sale rather than continuing use are classified as “assets held for sale” and “liabilities relating to assets held for sale”.

***Income Statement***

Costs are classified by function, stating separately the cost of sales, marketing and distribution expenses and administration expense, to provide readers with more meaningful and relevant information than the alternative classification of costs by nature, in view of the business sector.
In addition, it was decided to present two separate statements: the Income Statement and the Statement of Comprehensive Income.

### *Statement of Changes in Equity*

The statement was prepared presenting items in individual columns with reconciliation of the opening and closing balances of each item forming equity.

### *Cash Flow Statement*

Cash flows from operating activities are presented using the indirect method.
Based on this approach, the net profit for the year was adjusted to account for the effects of non-cash items on operating, investing and financing activities.

### *Areas and Principles of consolidation*

The scope of consolidation includes direct and indirect subsidiaries.
Below is a list of the consolidated companies stating the consolidation method used:

| Company | Currency | Share capital | Equity | Net profit / (loss) for the period | Consolidation method | % ownership | |
|---|---|---|---|---|---|---|---|
| | | | | | | Direct | Indirect |
| Marcolin Asia HK Ltd | HKD | 1,539,785 | 4,422,723 | 216,748 | Full consolidation | 100.0% | |
| Marcolin Benelux Sprl | EUR | 280,000 | 718,455 | 366,204 | Full consolidation | 100.0% | |
| Marcolin do Brasil Ltda | BRL | 41,369,129 | 52,912,515 | 20,152,753 | Full consolidation | 100.0% | |
| Marcolin Deutschland Gmbh | EUR | 300,000 | 1,886,524 | 32,274 | Full consolidation | 100.0% | |
| Marcolin France Sas | EUR | 1,054,452 | 4,842,863 | 94,469 | Full consolidation | 100.0% | |
| Marcolin GmbH | CHF | 200,000 | 186,013 | 51,605 | Full consolidation | 100.0% | |
| Marcolin Iberica SA | EUR | 487,481 | 1,430,650 | (13,235) | Full consolidation | 100.0% | |
| Marcolin Nordic AB | SEK | 50,000 | 3,294,065 | 2,314,757 | Full consolidation | 100.0% | |
| Marcolin Portugal Lda | EUR | 420,000 | 243,608 | 17,009 | Full consolidation | 100.0% | |
| Marcolin Technical Services (Shenzhen) Co. Lt | CNY | 1,000,000 | 3,174,420 | 332,535 | Full consolidation | 100.0% | |
| Marcolin UK Ltd | GBP | 3,572,718 | 5,136,107 | 417,557 | Full consolidation | 100.0% | |
| Marcolin USA Eyewear Corp. | USD | 121,472,262 | 82,415,330 | (3,974,391) | Full consolidation | 100.0% | |
| Marcolin Singapore Pte Ltd | SGD | 100,000 | (2,108,769) | (616,951) | Full consolidation | 100.0% | |
| Marcolin PTY Limited | AUD | 50,000 | (141,268) | 67,020 | Full consolidation | 100.0% | |
| Marcolin-RUS LLC | RUB | 305,520 | 364,155,712 | 157,562,763 | Full consolidation | 100.0% | |
| Marcolin Middle East FZCO | AED | 100,000 | 12,872,557 | 6,059,306 | Full consolidation | 51.0% | |
| Marcolin México S.A.P.I. de C.V. | MXN | 50,000 | (1,695,935) | 11,966,936 | Full consolidation | 51.0% | |
| Marcolin Eyewear (Shanghai) Co., Ltd. | CNY | 3,000,000 | (1,160,974) | (11,375,206) | Full consolidation | 100.0% | |
| Gin Hong Lin Intenational Co Ltd | HKD | 25,433,653 | 29,299,926 | (7,527,180) | Full consolidation | 100.0% | |
| Shanghai Ginlin Optics Co Ltd | CNY | 22,045,100 | 15,078,667 | 18,620,444 | Full consolidation | | 100.0% |
| Viva Eyewear Hong Kong Ltd | HKD | 100 | 4,393,385 | (18,713) | Full consolidation | | 100.0% |
| Viva Eyewear UK Ltd - in liquidazione | GBP | - | 921,354 | (35,562) | Full consolidation | | 100.0% |

The following changes took place in the scope of consolidation after 31 December 2020:

- as part of its reorganisation and development activities in the Chinese market, in July 2021 Shanghai Jinlin Optical Co. Ltd sold its entire business to the Marcolin Group company Eyestyle Trading (Shanghai) Co. Ltd, an existing company used until that date only to support the import and distribution of products related to certain brands at their boutiques in China. As part of the broader project to restructure the business in China, among other activities, Eyestyle Trading (Shanghai) Co. Ltd has both changed its name to Marcolin Eyewear (Shanghai) Co., Ltd. and changed its address to the prestigious Jing'an District in Shanghai.
- cessation of the shareholding relationship in the Thélios joint venture completed on 23 December 2021, which was also provided for in the same joint venture agreement originally signed in 2017 with the partner LVMH. For further information, please refer to the paragraph "*Financial and corporate activities"* in the Report on Operations..

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### *Basis of consolidation*

The consolidation method adopted is as follows:

- the equity method is used to consolidate the companies in which the Group has more than 20% ownership ("associates") or over which the Group has significant influence even in another way; due to the use of the equity method, the carrying amount of the investee is aligned with the equity adjusted, as necessary, to reflect the adoption of the IFRS approved by the European Commission and includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realised by the associate after the acquisition date is recognised in the income statement, whereas the interest in changes in reserves after the acquisition date is recognised in the equity reserves. If the Group's interest in the losses of an associate is equal to or in excess of its interest in the associate itself, taking into account all unsecured receivables, the value of the associate is written off and the Group does not recognise additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealised profits and losses on transactions with associates are eliminated on the basis of the Group's interest therein;

- companies are consolidated on a line-by-line basis when the Group exercises control over them (subsidiaries), by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is gained and are deconsolidated on the date from which such control ceases;
- the Financial Statements of the subsidiaries, associates and joint arrangements are incorporated using the accounting policies of the Parent Company; consolidation adjustments are made as necessary to create consistency between items influenced by the application of different accounting policies;
- on consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, i.e., receivables and payables outstanding at the end of the period, expenses and income, finance costs and financial income. Significant profits and losses realised between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in products in stock originating from intercompany transactions are eliminated;
- any portions of shareholders' equity and net income attributable to minority shareholders are stated separately as non-controlling interests under the consolidated equity;
- dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the net profits or losses realised by such companies;
- Financial Statements presented in a different functional currency from that of the Parent Company are translated into euro by applying the current exchange rates in force on the reporting date to assets and liabilities, and the average exchange rates for the reporting period to revenues, costs, income and expenses. The related currency exchange differences are recognised in the changes in equity[4].

The following table lists the exchange rates used for translation:

| Currency | Symbol | Closing exchange rate | | | Average exchange rate | | |
|---|---|---|---|---|---|---|---|
| | | 31/12/2021 | 31/12/2020 | Change | 2021 | 2020 | Change |
| Dirham Arabian emirates | AED | 4.160 | 4.507 | (7.7)% | 4.344 | 4.195 | 3.5% |
| Australian Dollar | AUD | 1.562 | 1.590 | (1.8)% | 1.575 | 1.655 | (4.8)% |
| Brasilian Real | BRL | 6.310 | 6.374 | (1.0)% | 6.378 | 5.894 | 8.2% |
| Canadian Dollar | CAD | 1.439 | 1.563 | (7.9)% | 1.483 | 1.530 | (3.1)% |
| Swiss Franc | CHF | 1.033 | 1.080 | (4.4)% | 1.081 | 1.071 | 1.0% |
| Remimbi | CNY | 7.195 | 8.023 | (10.3)% | 7.628 | 7.875 | (3.1)% |
| Danish Krone | DKK | 7.436 | 7.441 | (0.1)% | 7.437 | 7.454 | (0.2)% |
| English Pound | GBP | 0.840 | 0.899 | (6.5)% | 0.860 | 0.890 | (3.4)% |
| Hong Kong Dollar | HKD | 8.833 | 9.514 | (7.2)% | 9.193 | 8.859 | 3.8% |
| Japanese Yen | JPY | 130.380 | 126.490 | 3.1% | 129.877 | 121.846 | 6.6% |
| Mexican Pesos | MXN | 23.144 | 24.416 | (5.2)% | 23.985 | 24.519 | (2.2)% |
| Norwegian Krone | NOK | 9.989 | 10.470 | (4.6)% | 10.163 | 10.723 | (5.2)% |
| Russian Rublo | RUB | 85.300 | 91.467 | (6.7)% | 87.153 | 82.725 | 5.4% |
| Swedish Krone | SEK | 10.250 | 10.034 | 2.2% | 10.146 | 10.485 | (3.2)% |
| USA Dollar | USD | 1.133 | 1.227 | (7.7)% | 1.183 | 1.142 | 3.6% |

### *Business combinations*

The Group's business combinations are accounted for in accordance with the *purchase method* set out in IFRS 3, "*Business Combinations*".
The cost of an acquisition is the *fair value*, at the control transfer date, of assets acquired, liabilities assumed and equity instruments issued in exchange for the control of the acquired entity.

[4] *Translation of foreign-currency financial statements*
Financial statements presented in a different functional currency are translated into euro in accordance with IAS/IFRS as follows:
- assets and liabilities are translated at the current exchange rates in force on the reporting date;
- revenues, costs, income and expenses are translated at the average exchange rate for the reporting period, considered to be a reasonable approximation of the actual exchange rates of the dates of the transactions;
- currency exchange differences arising from translation of opening equity and the annual changes in equity are recognised in the "foreign currency translation reserve" under "other reserves".

Based on the purchase method, the cost of the business combination is allocated to the identifiable acquired net assets, at the acquisition date, through the fair value measurement of the assets acquired and liabilities and contingent liabilities assumed, and goodwill is recognised to the extent of the excess of the business combination cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the initial accounting for a business combination can be determined only provisionally, adjustments to the values initially attributed are made within twelve months of the acquisition date. Non-controlling interests are recognised at the fair value of the net acquired assets.
When a business combination is achieved in stages with subsequent share purchases, each stage is measured separately based on the cost and fair value of the assets, liabilities and contingent liabilities at each transaction date to determine the amount of any difference.
If a subsequent acquisition enables the obtaining of control of an entity, the previously owned interest is restated based on the fair value of identifiable assets, liabilities and contingent liabilities, determined at the date on which control was obtained.

## ACCOUNTING POLICIES

The most significant accounting policies adopted to prepare the consolidated Financial Statements are described below:

***Property, plant and equipment (also "tangible assets")***

Property, plant and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the *deemed cost* model was used on the transition date or *business combination* date based on the market value determined through an appraisal performed by an independent qualified appraiser.
They are stated net of depreciation, except for land, which is not depreciated, and net of any impairment losses.
Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalised to the extent that they can be separately classified as an asset or part of an asset.
The carrying amount is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.
If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.
Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.
Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.
Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalising them.
Under newly introduced IFRS 16, assets obtained under leases are accounted for as finance leases and classified as property, plant and equipment, the contra entry being the financial payable generated. A specific section in this Annual Report explains the effects of IFRS 16 application.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the depreciation rates listed below:

| Category | Depreciation Rate |
|---|---|
| Land and Buildings | 3% |
| Non-operating machinery | 10% |
| Depreciable equipment | 40% |
| Operating machinery | 15.50% |
| Office furniture and furnishings | 12% |
| Exhibition stands | 27% |
| Electronic machines | 20% |
| Vehicles | 25% |
| Trucks | 20% |

***Intangible assets***

Intangible assets consist of controllable, non-monetary assets without physical substance that are clearly identifiable and able to generate future economic benefits. These assets are recognised at purchase and/or production cost, inclusive of directly attributable expenses to bring the asset to working condition for its intended use, net of accumulated amortisation (except for those assets with an indefinite useful life) and any impairment losses. Amortisation commences when the asset is available for use and is systematically distributed over the asset's useful life.
If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognised in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised, recognising the reversal of the impairment loss as income.

***Goodwill***

Goodwill is recognised at cost less any impairment losses.
Goodwill acquired in a business combination is represented by the excess of the cost of the combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.
Goodwill is not amortised, but it is reviewed for impairment annually, and whenever events or circumstances give rise to the possibility of an impairment loss, the recoverable amount is reviewed in accordance with IAS 36 ("Impairment of Assets"). If the recoverable amount is less than its carrying amount, goodwill is reduced to its recoverable amount (see section on impairment losses on property, plant and equipment, and intangible assets). If goodwill has been allocated to a cash-generating unit that is partially disposed of, the goodwill associated with the unit disposed of is included in the determination of any gain or loss on disposal.

***Trademarks and licenses***

Trademarks and licenses are recognised at cost.
They have a finite useful life and are recognised at cost net of accumulated amortisation. Amortisation is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives.
If, aside from amortisation, *impairment* should emerge, the asset is written down accordingly; if the reasons for the writedown should cease to exist in future financial years, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised.
Trademarks are amortised on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

***Software***

Software licenses acquired are capitalised on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortisation is calculated on a straight-line basis over their estimated useful lives (ranging from 3 to 5 years). Costs associated with software development and maintenance are recognised as costs in the period they are incurred.
The direct costs include the costs for the personnel to develop the software.

***Research & development costs***

Research and development costs for new products and/or processes are recognised as an expense as incurred unless they meet the conditions for capitalisation under IAS 38.

***Other intangible assets***

The intangible assets also include Renewal Fees paid in some cases to licensors for the renewal of licensing agreements.
Other intangible assets also include certain internal costs incurred by the Group to develop new eyewear models; the amortisation period, equal to the average life of a model on the market, commences when the related models are put on the market.

### *Impairment of property, plant and equipment, and intangible assets*

IAS 36 requires *impairment* testing of tangible and intangible assets when there is any indication that those assets have suffered an impairment loss.
For intangible assets with an indefinite life, such as goodwill, testing for impairment is performed at least annually. The recoverable amount is determined by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. Value in use is determined on the basis of the present value of estimated future cash flows from operating activities. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (*cash-generating units*).
If an asset's recoverable value is less than its carrying amount, the carrying amount is reduced to its recoverable value. This reduction is an impairment loss that is recognised as an expense immediately. If there are indications that an impairment loss should be reversed, the recoverable amount of the asset is recalculated and the carrying amount is increased to that new value. The increased carrying amount must not exceed the net carrying amount the asset would have had without any impairment loss.
An impairment loss with respect to goodwill may not be reversed.

### *Financial derivatives*

Financial derivatives are recognised in accordance with IFRS 9. On the contract stipulation date, the derivatives are initially accounted for at fair value as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. If hedge accounting cannot be applied, the changes in the fair value after initial recognition are recognised through profit or loss.

### *Fair value measurement*

The Group measures financial instruments (derivatives) at their fair values at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

- in the principal market for the asset or liability; or
- in absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Group.
The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest. Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.
The Group uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or stated in the financial statements are categorised into the following levels of the fair value hierarchy:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

The fair value measurement is categorised entirely in the same level of the fair value hierarchy of the lowest level input used for measurement.
For recurring assets and liabilities, the Group determines whether there have been any transfers between levels of the fair value hierarchy and reviews the categorisation (based on the lowest level input that is significant to the entire measurement) at the end of each reporting period.

### *Inventories*

Inventories are stated at the lower of average purchase or production cost and the corresponding estimated realisable value based on market prices. Estimated realisable value represents the estimated selling price in normal market conditions less all direct selling costs.
Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.

Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.
Production cost includes the cost of materials used, as defined above, and all directly and indirectly attributable manufacturing costs.
Obsolete and slow-moving inventories are written down to reflect their useful life or realisable value.

***Trade and other receivables***

Trade and other receivables are stated at amortised cost and are measured on the basis of the impairment model introduced by IFRS 9 (see paragraph on financial assets regarding the initial recognition). In accordance with this model, the Group measures receivables using a logic of expected losses, replacing the IAS 39 framework based on incurred losses. The Group has adopted the simplified approach for trade receivables, which, instead of recognising the periodic changes in credit risk, requires accounting for an expected credit loss ("ECL") calculated over the lifetime of the receivable ("lifetime ECL"). The amount of the receivables is shown in the Statement of Financial Position net of the related provisions for doubtful debts. Impairment losses calculated under IFRS 9 are recognised in the Consolidated Income Statement net of any positive effects relating to releases or reversals and are presented in the line for net writedowns of financial assets within the general and administration expenses.

***Financial assets – Loans and receivables***

The Group's financial assets are classified on the basis of the business model adopted to manage them and their cash flows. The following categories were identified:

a. Financial assets measured at amortised cost

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is to hold assets to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. They concern trade receivables, loans and other receivables. Loan and other receivables are included with current assets, except those whose contractual collection date is after twelve months from the reporting date, which are classified as non-current assets. The loan and other receivables are classified in the Statement of Financial Position as trade and other receivables. Except for trade receivables that do not contain a significant financing component, the loan and other receivables are initially recognised at their fair value adjusted by directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets belonging to such category are measured at amortised cost, using the effective interest rate. The effects of such measurement are recognised in profit and loss. The assets are also subject to the impairment model described in the foregoing section on trade and other receivables.

b. Fair Value through Other Comprehensive Income (“FVOCI”)

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is met both collecting contractual cash flows and selling these assets; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. The assets are initially recognised at their fair value adjusted by directly attributable transaction costs. The initial recognition is later updated and any changes in fair value are recognised in Other Comprehensive Income ("OCI"). As in the previous category, the assets are subject to the impairment model described in the section on trade and other receivables.

c. Fair Value through Profit and Loss (“FVPL”)

Financial assets that do not fall within the preceding categories are classified in this residual category. They are mainly derivatives and equity instruments, both listed and not listed on financial markets, that the Company has irrevocably decided to classify as FVOCI upon initial recognition or in transitioning. The assets belonging to this category are classified as current assets or non-current assets according to when they are due, and they are stated at fair value at initial recognition. Investments in unconsolidated companies over which the Group does not have significant influence are included in this category and accounted for as investments in subsidiaries and associates. Related costs incurred at initial recognition of the asset are accounted for immediately in the Consolidated Income Statement. FVPL financial assets are subsequently measured at fair value. Profits and losses deriving from changes in fair value are recognised in the Consolidated Income Statement as they arise, within the net other income/(expenses). Purchases and sales of financial assets are accounted for on the settlement date. Financial assets are derecognised when the rights to receive cash flows deriving from the instrument are extinguished and the Group has transferred substantially all the risks and rewards of ownership and control of the asset. The fair value of financial instruments is based on the current price offered. If the market for a financial asset is not active (or the asset consists of unlisted securities), the Group determines fair value by using valuation techniques. The techniques include referring to advanced negotiations in progress, referring to securities having the same characteristics, analysis based on cash flows, and pricing models based on the use of market indicators and aligned, as much as possible, with the asset being measured. In the valuation process, the Group tends to use market information instead of internal information referring specifically to the nature of the business in which the Group operates.

***Cash and bank balances***

Cash and bank balances include cash, demand deposits at banks and other highly liquid short-term investments, i.e., with an original duration of up to three months, and are stated at the amounts actually on hand at the reporting date.

***Assets held for sale and related liabilities***

These items include non-current assets (or disposal groups of assets and liabilities) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognised at their net carrying amount or fair value less costs to sell, whichever is less.
If those assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are not reclassified or presented for comparative purposes with the classification in the most recent Statement of Financial Position.

**Equity**

***Share capital***

Share capital consists of the subscribed and paid-up capital.
Direct issue costs of new share issues are classified as a direct reduction of equity after deferred taxes.

***Treasury shares***

Treasury shares are shown as a deduction of equity. The original cost of treasury shares and revenues arising on subsequent sale are recognised as changes in equity. The nominal value of the treasury shares owned is directly deducted from share capital, while the value exceeding the nominal value is used to reduce the treasury share reserve included in the retained earnings (losses) reserves.

***Employee benefits***

Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.
Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognised on an accruals basis in line with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.
The severance indemnity and aforementioned pension fund benefits accrued in the year, determined by applying actuarial methodology, are recognised in the income statement with the personnel costs, whereas the notional interest cost is recognised in net financial income/(costs).
Actuarial losses from changes in actuarial assumptions are recognised directly in the equity of the year they emerge, in accordance with Revised IAS 19.
On 1 January 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by 30 June 2007, how to allocate his or her accruing benefits. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case, the company will pay the severance pay contributions into a treasury account held at the INPS).
Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from 30 June 2007, are considered a defined contribution plan, meaning the accounting treatment is similar to that in effect for all other contribution payments.

***Provisions for risks and charges***

Provisions for risks and charges consist of allowances for present obligations (either legal or constructive) toward third parties that arise from past events, the settlement of which will probably require an outflow of financial resources and the amount of which can be estimated reliably.

Provisions are stated at the discounted best estimate of the amount the company should pay to settle the obligation or to transfer it to third parties as at the reporting date.
Changes in estimates are reflected in the income statement of the period in which the change occurs.
Risks for which the emergence of a liability is merely possible are identified in the section relating to commitments and guarantees, without making any allowances for them.

***Trade payables and other non-financial liabilities***

This item refers to payables originating from the purchase of goods or services that have not been settled by the end of the reporting period. They are not usually covered by guarantees and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

***Financial liabilities***

Borrowings (loans) are initially recognised at cost, corresponding to the fair value of the liability less their transaction costs.
They are subsequently measured at amortised cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognised in the income statement over the life of the loan, using the effective interest method. If there is a change in the anticipated cash flows and management is able to estimate them reliably, the value of borrowings is recalculated to reflect such changes.
Loans are classified among current liabilities if they mature in less than 12 months from the end of the reporting period and if the Group does not have an unconditional right to defer their payment for at least 12 months.
Loans are derecognised when they are paid off or when all risks and costs associated with them have been transferred to third parties.

***Revenues and income***

In accordance with the five-step model introduced by IFRS 15, the Company recognises revenue after having identified the contracts with its customers and the performance obligations in the contract (transfer of goods and/or services), having determined the amount of consideration to which it is entitled in exchange for satisfying each of the performance obligations, and having evaluated how the performance obligations were satisfied (at a point in time or over time). The Group recognises revenues only when all the following requirements (for identifying the contract(s) with the customer) have been met: a) the parties to the contact have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations; therefore, an agreement exists that creates the rights and obligations regardless of the form of such agreement; b) the Group can identify each party's rights in relation to the goods or services to be transferred; c) the Group can identify the payment terms of the goods or services to be transferred; d) the contract has commercial substance; and e) it is probable that the Group will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. If the above criteria are not met, the related revenues are recognised when: (i) the Group has already transferred goods and/or services to the customer and all, or substantially all, of the promised consideration has been received and is non-refundable; or (ii) the contract is terminated and the consideration received is non-refundable.
If the above criteria are met, the sales revenues are recognised when the control of the good sold is transferred to the customer, or when the good is delivered to the customer under the terms of the contract and the customer acquires the full ability to direct the use of it and to obtain substantially all of the remaining benefits from it. When the sale contract provides for retrospective volume discounts, the Group estimates their effect and treats it as a variable component of the agreed consideration. The Group also estimates the effect of possible returns from customers. This effect is accounted for as a variable component of the contractual consideration with the contextual presentation of a refund liability among the short-term risk provisions and the corresponding return asset among other current assets in the Statement of Financial Position. The estimate is based on the right-of-return policies and practices adopted by the Group and past trends of sales returns. The variable components of the consideration (discounts and returns) are recognised in the Financial Statements only when it is highly probable that a significant adjustment to the amount of revenue recognised will not occur. No post-delivery obligations exist besides the product warranties, where required by local regulations; the warranties do not constitute a separate service and they are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.
Dividends are recognised when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

***Cost of sales***

The cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing and expenses directly associated with production. It also includes the depreciation of buildings, plant and equipment, the amortisation of the intangible assets used in production and inventory impairment losses.

***Royalties***

The Group accounts for royalty expense on an accruals basis according to the substance of the agreements stipulated.

***Other costs***

The costs are recognised according to the relevance and matching principles.

***Financial income and costs***

Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract. If not established by contract, interest is recognised using the effective interest method, i.e., using the interest rate that makes all inflows and outflows of a specific transaction financially equivalent.

***Translation of foreign currency amounts***

Transactions in currency other than the euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realised in the period are recognised in the Income Statement. Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognising the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

***Income taxes***

Income taxes are stated in the Income Statement, except for those regarding items recognised directly in equity, for which the tax effect is also recognised directly in equity.
Deferred taxes are calculated on the temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.
Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist.
Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the assets are realised or the liabilities are settled, considering the tax rates in force and those that have been enacted or substantially enacted by the reporting date.
Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

# FINANCIAL RISK FACTORS

***Financial risks***

Financial risk management is an integral part of Marcolin Group’s activities and is performed centrally by the Parent Company based on strategies to cover specific areas, i.e., through hedges of foreign exchange risks and risks deriving from fluctuations of interest rates.
The Group seeks to minimise the impact of such risks on its results, and in previous years some hedging instruments were used.
Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on sales to customers in U.S. dollars, they do not qualify for *hedge accounting* because they do not fully meet the strict requirements, including formal ones, of the applicable accounting standard.
Those contracts were no longer stipulated in 2021 due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

***Foreign exchange risk***

The Report on Operations provides details on Marcolin Group's and Marcolin S.p.A.'s foreign exchange risk.

With respect to transaction risk, according to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group’s Consolidated Financial Statements.

With reference to the exchange rate risk, on the basis of the *sensitivity analysis* carried out, it emerged that a possible appreciation of the U.S. dollar by 5% at 31 December 2021 would have led to an increase in the Exchange Rate Reserve in shareholders' equity of 3.9 million euro, while a depreciation of the U.S. dollar by 5% at 31 December 2021 would have led to a decrease in the Exchange Rate Reserve in shareholders' equity of 3.5 million euro.

***Supplier relationship risks***

The Group uses contract manufacturers and third-party suppliers to manufacture and/or process some of its products.
The use of contract manufacturers and third-party suppliers involves additional risks, such as cancellation and/or termination of contracts, poor quality in the supplies and services provided and delivery delays.
Delays or defects of products supplied by third parties, or the cancellation or termination of supplier contracts without having adequate alternative sourcing available, could have a negative impact on the Company's business operations, financial position and performance.
Third-party manufacturers and suppliers, located mainly in Italy and Asia, are submitted to continuous checks by relevant company departments to verify compliance with adequate quality and service *standards*, also including those relating to delivery timing and methods, in the *trade-off* with correct prices with respect to the target margins.
The Company manages this risk by constantly monitoring the sourcing markets, also to identify alternative manufacturers and suppliers in case of temporary or structural difficulties with the current suppliers.
With respect to procurement, the Company directly monitors, with certain subsidiaries, the performance of the Asian suppliers, from a quantitative and qualitative point of view (quality, reliability and service), in light of the particular social and economic dynamics characterising that sourcing market.
Another factor that mitigates supplier risk is the new factory in Longarone (in the Fortogna district), inaugurated in 2015, which has allowed for a twofold increase in the production of Italian manufactured goods, thereby reducing dependence on external supplies.
Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which allows for the shortening of manufacturing lead time and thus an increase in the ability to seize market opportunities (and improve the time to market), and the possibility of managing the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.
It is worth noting that the Company does not depend to a significant extent on a limited number of suppliers and is not affected by the price trends of the raw materials needed in the various phases of the eyewear production.

***Interest rate risk***

The Report on Operations provides details on Marcolin Group's and Marcolin S.p.A.'s interest rate risk.
The section on liquidity risk provides a quantitative analysis of the Group's exposure to cash flow risk relating to interest rates on loans.

Information on outstanding loans is provided subsequently in these notes.

***Interest rate sensitivity analysis***

A *sensitivity analysis* on the interest rate was carried out, assuming an upward shift of +25 *basis points* and a downward shift of -10 *basis points* in the *Euribor*/*Swap* Eur interest rate curve, published by *Reuters* for 31 December 2021. In this manner, the Group determined the impact that such changes would have on income and on equity.
The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.
The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.
For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.
According to the *sensitivity analysis* performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. In the event of an increase in interest rates of +25 *basis points*, the positive effect on the income statement would be approximately 426 thousand euro due to the higher incidence of financial income on current account balances compared to the increase in interest expense related to bank debt and third party debt
If interest rates had fallen by -10 *basis points*, there would have been a negative impact of 170 thousand euro on the income statement.

***Credit risk***

The Group has no significant concentration of credit risk. Receivables are recognised net of the impairment calculated in accordance with IFRS 9. Guidelines have been implemented for managing customer credit, supervised by the designated business function (*Credit Management*), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit ceilings (according to creditworthiness).

The trade receivables and other current assets excluding the returns provision are set forth below by the main areas in which the Group operates in order to evaluate the country risk. The section on accounting standards provides additional information thereon.

| **Trade receivables by geographical area and other current assets** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 26,919 | 27,233 |
| Rest of Europe | 16,311 | 16,050 |
| North America | 21,339 | 19,269 |
| Rest of Word | 26,311 | 27,791 |
| **Total** | **90,880** | **90,343** |

Trade receivables not past-due are set forth below, categorised by geographical area (IFRS 7):

| **Trade receivables not overdue by geographical area** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 13,381 | 10,424 |
| Rest of Europe | 12,149 | 12,955 |
| North America | 17,694 | 16,102 |
| Rest of Word | 23,537 | 20,406 |
| **Total** | **66,761** | **80,388** |

The following table shows the undisputed trade receivables due and past due (in an aging analysis):

| **Ageing analysis of trade receivables not protested** *(euro/000)* | **Gross value** | **Provision** | **Net value** |
|---|---|---|---|
| **12/31/2020** | | | |
| Not past due | 59,886 | (1,133) | 58,753 |
| Past due by less than 3 months | 8,207 | (1,736) | 6,471 |
| Past due by 3 to 6 months | 684 | (211) | 473 |
| Past due by more than 6 months | 8,908 | (3,577) | 5,331 |
| **Total** | **77,685** | **(6,657)** | **71,028** |
| **12/31/2021** | | | |
| Not past due | 66,327 | (1,404) | 64,923 |
| Past due by less than 3 months | 5,669 | (1,129) | 4,540 |
| Past due by 3 to 6 months | 811 | (595) | 216 |
| Past due by more than 6 months | 3,155 | (2,542) | 613 |
| **Total** | **75,962** | **(5,671)** | **70,292** |

In some markets where the Group operates, receivables are regularly collected after the date stipulated by contract, without this necessarily indicating collection issues or financial difficulties.
Consequently, there are trade receivable balances that were not considered impaired, even though they were past due.

The balance of these trade receivables is set forth in the table below by past-due category:

| **Trade receivables overdue but not impaired** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Past due less than 3 months | 4,540 | 4,678 |
| Past due more than 3 months | 829 | 1,037 |
| **Total** | **5,369** | **5,715** |

For the sake of exhaustive disclosure, an aging analysis of disputed receivables and the related writedowns is set forth below:

| **Ageing analysis of protested trade receivables** *(euro/000)* | **Gross value** | **Provision** | **Net value** |
|---|---|---|---|
| **12/31/2020** | | | |
| Past due by less than 12 months | 937 | (698) | 239 |
| Past due by more than 12 months | 6,925 | (6,540) | 385 |
| **Total** | **7,862** | **(7,238)** | **624** |
| **12/31/2021** | | | |
| Past due by less than 12 months | 1,315 | (845) | 470 |
| Past due by more than 12 months | 8,040 | (8,040) | 0 |
| **Total** | **9,355** | **(8,885)** | **470** |

The changes in the provision for doubtful debts are set forth below:

| **Provision for doubtful debts** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Opening amount | 13,895 | 12,390 |
| Provisions/Reversal on P&L | 625 | 5,154 |
| Use | (660) | (2,497) |
| Reclassifications and other movements | - | 2 |
| Translation difference | 696 | (1,153) |
| **Period end Total** | **14,556** | **13,895** |

In accordance with IFRS 9, the expected losses on trade receivables were estimated upon initial recognition of the receivable and over its lifetime (lifetime expected credit loss). As allowed by the standard, a matrix was used to estimate the expected credit losses that took into account the geographical source of the receivable and the type of customer. The matrix considers different loss percentages according to the ageing category of the receivables. The expected loss percentage rises when the receivable seniority rises.

### ***Liquidity risk***

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.
Due to the dynamic nature of its business, the Group has always preferred the flexibility of obtaining funding through the use of credit lines. Since May 2021, as already mentioned in the Report on Operations, a revolving credit line with a nominal value of 46 million euro (RCF) has been in place at the Parent Company to meet temporary treasury needs. As part of the liquidity support measures, 3 Cime S.p.A., the majority shareholder of Marcolin S.p.A., disbursed on 24 June 2020 a 25 million euro subordinated shareholder loan maturing in December 2025, which accrues interest repayable at maturity. The loan is structured as *equity credit*. At present, based on its available sources of funding and credit facilities, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. The Marcolin Group Report on Operations also discusses this subject.

### ***Liquidity analysis***

Liquidity analysis was performed on loans and trade payables. For loans payable, capital repayments and undiscounted interest have been shown by time bands. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.
None of the cash flows included in the table were discounted. They also take into account the Group's existing financial position at 31 December 2021.

| *(euro/000)* | **Within 1 year** | **From 1 to 3 years** | **From 3 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| Loans and bonds (excluding capital lease) | 17,591 | 1,209 | 370,150 | - | 383,848 |
| Interest expenses on loans, bonds, leasing | 22,029 | 43,522 | 48,435 | 17 | 5,102 |
| Capital lease | 6,170 | 6,764 | 3,083 | 353 | 16,371 |
| Trade payables | 146,894 | - | - | - | 146,894 |

# CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are presented in accordance with IFRS 7 in the following table (with comparative amounts for the previous year). Financial instruments have been classified in accordance with IFRS 9 and IFRS 16.

| **Categories of financial assets** *(euro/000)* | **Trade receivables** | **Financial assets** | **Cash and cash equivalents** |
|---|---|---|---|
| **2021** | | | |
| Loans and other financial recivables at amortized cost | 70,762 | 1,137 | 228,848 |
| Financial assets at faie value through P&L | - | - | - |
| Held to maturity investments | - | - | - |
| Financial assets available for sale | - | - | - |
| **Total** | **70,762** | **1,137** | **228,848** |

| **Categories of financial assets** *(euro/000)* | **Trade receivables** | **Financial assets** | **Cash and cash equivalents** |
|---|---|---|---|
| **2020** | | | |
| Loans and other financial recivables at amortized cost | 71,652 | 19,931 | 52,363 |
| Financial assets at faie value through P&L | - | - | - |
| Held to maturity investments | - | - | - |
| Financial assets available for sale | - | - | - |
| **Total** | **71,652** | **19,931** | **52,363** |

| **Categories of financial liabilities** *(euro/000)* | **Trade payables** | **Financial liabilities** | **Bond** |
|---|---|---|---|
| **2021** | | | |
| Financial liabilities at amortized cost | 146,894 | 43,318 | 345,631 |
| Lease financial liabilities | - | 16,371 | - |
| **Total** | **146,894** | **59,688** | **345,631** |

| **Categories of financial liabilities** *(euro/000)* | **Trade payables** | **Financial liabilities** | **Bond** |
|---|---|---|---|
| **2020** | | | |
| Financial liabilities at amortized cost | 94,624 | 144,597 | 249,197 |
| Lease financial liabilities | - | 17,556 | - |
| **Total** | **94,624** | **162,153** | **249,197** |

### FAIR VALUE MEASUREMENT HIERARCHY

Financial instruments measured at fair value are reported on the basis of the fair value hierarchy, described below:
- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

In 2021, the Company did not own any financial instruments measured at fair value.

### *USE OF ESTIMATES*

The preparation of consolidated Financial Statements requires making estimates that could affect the carrying amount of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.
Estimates were used mainly to determine the recoverability of intangible assets (including goodwill), the useful lives of property, plant and equipment, the recoverability of receivables (including deferred tax assets), the valuation of inventories, and the recognition or measurement of provisions for risks and charges.
The estimates and assumptions are based on data that reflect currently available information.
The estimates and assumptions that involve a significant risk of changes in the carrying amounts of assets and liabilities are described hereunder.

#### *Goodwill*

Pursuant to IAS 36, the Group performs *impairment* tests at least annually.
Recoverable values are calculated based on "value in use".
The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (WAAC) and the prospective growth rate to be applied to the forecast cash flows ("g" rate).

#### *Impairment of non-current assets*

When there is indication that the net carrying amount could exceed the recoverable value, non-current assets are reviewed to determine whether they have suffered impairment losses, in accordance with the accounting standards adopted. The recoverable amount is analysed by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater.
If any such indication exists, management is required to perform subjective evaluations based on information available within the Group and on the market and based on the management's knowledge.
If indications of impairment should exist, the Group calculates the potential impairment using the valuation techniques it considers to be the most appropriate.
Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

#### *Provision for doubtful debts*

The provision for doubtful debts reflects management's estimates of future losses on trade receivables concerning end customers. The provision for doubtful debts is calculated in accordance with IFRS 9.

#### *Returns provision and product warranty provision*

The returns provision and product warranty provision reflect management's estimate of losses deriving from the customers' possibility under contact to return products sold. The product warranty provision gives the customer the possibility to return defective merchandise and receive in exchange an analogous (non-defective) product.
The returns provision is accounted for in accordance with IFRS 15, and the product warranty provision in accordance with IAS 37.

#### *Provision for inventory impairment*

The provision for inventory impairment reflects management's estimates regarding the losses expected by the Group, determined on the basis of past experience and both past and anticipated market trends.

#### *Deferred tax assets*

Recognition of deferred tax assets is based on expectations of profits in future years.
Estimates of future earnings used to recognise deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of the assets in question.

# ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The comments and changes in the most significant items compared to the Consolidated Financial Statements as at 31 December 2021 are detailed below (unless otherwise specified, amounts are expressed in thousands of euros).

## 1. PROPERTY, PLANT AND EQUIPMENT

The composition of and annual changes in the item are set forth below:

| Property, plant and equipment (euro/000) | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2020** | **26,304** | **8,695** | **2,591** | **10,522** | **436** | **48,548** |
| Increases | 3,109 | 1,775 | 1,076 | 4,575 | 361 | **10,895** |
| Decreases | (268) | (347) | (100) | 46 | - | **(669)** |
| Depreciation | (4,822) | (2,211) | (1,412) | (5,979) | - | **(14,424)** |
| Translation difference | (925) | | (48) | (316) | (12) | **(1,302)** |
| Reclassification and other movements | 13 | - | 297 | 12 | (322) | **0** |
| **Net value at end of 2020** | **23,409** | **7,911** | **2,404** | **8,860** | **463** | **43,047** |
| **Net value at beginning of 2021** | **23,409** | **7,911** | **2,404** | **8,860** | **463** | **43,047** |
| Increases | 3,922 | 3,108 | 715 | 5,535 | 602 | **13,881** |
| Decreases | (51) | (1) | (10) | (99) | (272) | **(432)** |
| Depreciation | (5,301) | (2,162) | (1,329) | (5,127) | - | **(13,919)** |
| Translation difference | 683 | | 37 | 195 | 20 | **936** |
| Reclassification and other movements | 200 | - | 21 | 40 | (268) | **(7)** |
| **Net value at end of 2021** | **22,862** | **8,856** | **1,839** | **9,404** | **546** | **43,506** |

Additions to property, plant and equipment in 2021 amounted to 13,881 thousand euro.
Nearly all the increases in "Land and buildings" are attributable to the effects deriving from the application of IFRS 16, mainly referring to the stipulation of commercial property leases; excluding these, the capital expenditures mainly regarded:

- plant and machinery purchases for 3.108 thousand euro needed to renew existing production lines;
- equipment purchases for 715 thousand euro;
- purchases of other assets mainly *hardware*, office furniture and other equipment and furnishings for a total of 5,535 thousand euro;
- increases of 602 thousand euro referring to work in progress and advances.

Amortisation is 13.919 thousand euro and consists of:

- 3.699 thousand euro recognised in the components of the cost of sales;
- 8,264 thousand euro in distribution, sales and marketing costs;
- 1,635 thousand euro recognised in general and administration expenses.

The gross value of property, plant and equipment and the related accumulated depreciation as at 31 December 2021 is shown in the table below:

| Property, plant and equipment (euro/000) | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total 12/31/2021 |
|---|---|---|---|---|---|---|
| Undepreciated value | 47,482 | 29,716 | 23,530 | 33,814 | 546 | 135,087 |
| Accumulated depreciation | (24,620) | (20,860) | (21,691) | (24,410) | - | (91,581) |
| **Net value** | **22,862** | **8,856** | **1,839** | **9,404** | **546** | **43,506** |

The following table presents the amounts of the previous year:

| Property, plant and equipment (euro/000) | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other PP&E | Assets under construction | Total 12/31/2020 |
|---|---|---|---|---|---|---|
| Undepreciated value | 45,275 | 26,898 | 22,716 | 29,887 | 463 | 125,241 |
| Accumulated depreciation | (21,866) | (18,987) | (20,312) | (21,028) | - | (82,193) |
| **Net value** | **23,409** | **7,911** | **2,404** | **8,860** | **463** | **43,047** |

The following table shows the net carrying amount as at 31 December 2021 of the rights of use recognised in accordance with IFRS 16 and included within the respective asset classes to which the right of use refers:

| *€/000* | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Land and buildings | 11,038 | 11,368 |
| Industrial and commercial equipment | 513 | 692 |
| Cars | 2,113 | 2,066 |
| Other tangibles fixed assets | 75 | 84 |
| **Total Right-of-use assets** | **13,739** | **14,210** |

The following table lists the 2021 depreciation of the right-of-use assets:

| *€/000* | 2021 |
|---|---|
| Land and buildings | 3,932 |
| Industrial and commercial equipment | 218 |
| Cars | 1,496 |
| Other tangibles fixed assets | 48 |
| **Total depreciation of Right-of-use** | **5,694** |

## 2. INTANGIBLE ASSETS AND GOODWILL

The composition of and changes in this item are set forth below:

| Intangible assets and goodwill (*euro/000*) | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total | Goodwill |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2020** | **8,043** | **6,981** | **22,807** | **13,042** | **50,873** | **288,448** |
| Increases | 1,823 | - | 4,382 | 1,227 | **7,432** | - |
| Decreases | (145) | - | - | - | **(145)** | - |
| Amortization | (3,347) | (1,969) | (7,783) | - | **(13,099)** | - |
| Translation difference | (206) | (267) | (756) | (569) | **(1,798)** | (8,171) |
| Reclassification and other movements | 613 | - | - | (613) | - | - |
| **Net value at end of 2020** | **6,781** | **4,745** | **18,649** | **13,087** | **43,263** | **280,277** |
| **Net value at beginning of 2021** | **6,781** | **4,745** | **18,649** | **13,087** | **43,263** | **280,277** |
| Increases | 3,266 | - | 9,078 | 957 | **13,301** | - |
| Decreases | (11) | - | 11 | (363) | **(364)** | - |
| Amortization | (3,166) | (1,929) | (8,115) | - | **(13,210)** | - |
| Translation difference | 186 | 175 | 694 | 532 | **1,587** | 7,443 |
| Reclassification and other movements | 13 | - | - | (13) | **-** | - |
| **Net value at end of 2021** | **7,068** | **2,990** | **20,318** | **14,201** | **44,577** | **287,720** |

During the year, additions of 13,301 thousand euro were made, mainly related to *Software* for 3,266 thousand euro, mainly referred to the Parent for new management applicationsand their implementation, and other intangible assets related to amounts paid by the Parent and the U.S. branch to certain licensors for the extension of certain licences.

Amortisation is 13.210 thousand euro and consists of:

- 11.011 thousand euro recognised in distribution expenses;
- 132 thousand euro recognised in manufacturing costs;
- 2,067 thousand euro recognised in general and administration expenses.

The gross value and accumulated amortisation at 31 December 2021 of intangible assets and goodwill are shown in the table below:

| Intangible assets and goodwill (*euro/000*) | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2021 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 38,569 | 19,484 | 65,713 | 14,201 | **137,967** | 287,720 |
| Accumulated depreciation | (31,501) | (16,494) | (45,395) | - | **(93,390)** | - |
| **Net value** | **7,068** | **2,990** | **20,318** | **14,201** | **44,577** | **287,720** |

The following table presents the amounts of the previous year:

| Intangible assets and goodwill (euro/000) | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2020 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 34,240 | 18,568 | 55,061 | 13,088 | **120,957** | 280,277 |
| Accumulated depreciation | (27,459) | (13,824) | (36,412) | - | **(77,694)** | - |
| **Net value** | **6,781** | **4,744** | **18,649** | **13,088** | **43,263** | **280,277** |

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for 1,800 thousand euro and whose purchase price was determined by an independent professional appraiser, is amortised over 18 years.

Concessions, licenses and trademarks also include 10,000 thousand euro for an option, already exercised, that enabled the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost is amortised over 7 years, starting from 2016.

### *Impairment testing*

*Impairment testing*, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life, such as goodwill. Other intangible assets are tested whenever there are external or internal indications that they have suffered an impairment loss.

The total amount of Goodwill of 287,720 thousand euro recognised as at 31 December 2021 in the Group's consolidated financial statements was subject to an impairment test to assess the recoverability of its carrying amount at the date of preparation of these financial statements.

The Group is now managed as a single unit coordinated by the Parent Company using a centralised model. For this reason, goodwill was measured at a Group level.

The total amount of Goodwill recognised as at 31 December 2021 was subject to an impairment test to assess the recoverability of its carrying amount at the date of preparation of these financial statements.

The recoverable amount of the net invested capital including goodwill was estimated using Marcolin Group's value in use, assumed as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of Marcolin Group's continuing operation.

The following assumptions were made to determine value in use:

- the "*cash-generating unit*" (CGU) was identified as the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and all its Italian and foreign subsidiaries) because the Group's organisational structure uses a centralised model headed by Marcolin S.p.A.;
- The main data sources used are: the draft Budget as at 31 December 2021, the Economic and Financial Budget 2022 and the Economic and Financial Plan 2023-2026[5]. The main assumptions that govern the multi-year Business Plan concern (i) from the commercial point of view, the focus on the full and complete development of the recently acquired brands, first and foremost Adidas and Max Mara; the continuous and constant development of the proprietary Web brand, as well as the organic growth of the portfolio of other brands in order to fully exploit the new opportunities offered by the market; the development of the E-commerce channel both directly and through third party intermediaries; the completion of the implementation of the Group's CRM system; (ii) from an industrial and logistical point of view, increasing the efficiency of the entire supply chain, from the procurement channels of third-party suppliers to projects aimed at increasing internal production also through projects for the automation of industrial and logistical processes; efficiency in inventory management through new demand planning and product development processes;
- the terminal value was calculated using the 2026 EBITDA, assuming perpetual growth at a "g" rate. This rate was assumed to be 2.3%, conservatively taking into account the inflation expectations of the countries in which Marcolin operates.
  Changes were then made to the cash flow thus obtained in order to normalise the expected cash flow in perpetuity, in accordance with normal "valuation" practice;
- the cash flow discount rate (WAAC) is 9.4%, calculated in line with the Capital Asset Pricing Model (CAPM) commonly used for valuation in doctrine and in standard practice. This rate reflects current market valuations with reference to: 1) the cost of borrowed capital (Kd = 3.4%, net of taxes); 2) the expected remuneration of risk capital holders associated with the specific risks of Marcolin's business (Ke = 10.8%), weighted in consideration of the origin of the Group's main cash flows. Weighted Kd/Ke was determined

5 the impairment test document was approved by the Parent Company's Board of Directors on 17 March 2022. Management prepared a four-year business plan to represent the evolution of the post-Covid-19 pandemic business, thus appreciating the commercial and industrial strategies undertaken.

under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

On the basis of the analysis performed, it can be well concluded that the Goodwill recorded is not impaired, as the value in use is much higher than the carrying amount of the net invested capital at 31 December 2021.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:

- changes in WAAC;
- changes in the "g" rate.

In this case, a half-percentage point increase in WAAC would result in a 6% decrease in the enterprise value (given the same "g"), whereas a half-percentage point decrease in the "g" rate would result in a 5% decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

Finally, a "stress test" was carried out assuming higher capex values than those contained in the Strategic Plan presented, in particular by foreseeing higher future outlays that the Group could incur when renewing certain licences when they expire.
Even this stress test confirmed that the coverage amounts remain positive, with broad safety margins.

**3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

The amount of equity investments at 31 December 2021 was impacted by the deconsolidation of the investment in Thélios S.p.A., which was previously consolidated using the equity method.

As described in the management report, on 23 December 2021, Marcolin and LVMH decided to terminate their participation in the *Joint Venture* Thélios. The transaction was finalised through the following transactions:

- the sale by Marcolin S.p.A. to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro;
- the sale by Vicuna Holding S.p.A. of 10% of the shares in Marcolin S.p.A., equal to 6,828,708 class B shares, to Marcolin S.p.A. itself, which then proceeded to purchase treasury shares at a price of 30 million euro and subsequently cancelled them; as a result of this transaction, 3 Cime S.p.A. came to hold 100% of the share capital of Marcolin S.p.A.

The impact of the realisation of the investment in the Thélios *Joint Venture*, as described above, resulted in income from investments of 167 million euro in the consolidated income statement, given the difference between the amount received of 158 million euro and the value of the investment in Thélios consolidated in the consolidated financial statements using the equity method of -8.8 million euro at the date of the transaction.

**4. DEFERRED TAX ASSETS AND LIABILITIES**

Net deferred taxes presented a balance at 31 December 2021 of 47,495 thousand euros (43,703 thousand euros in 2020), of which 52,223 thousand euros was receivable and 4,728 thousand euros was payable.
The value is mainly attributable to the Parent Company for 9,372 thousand euro (9,265 thousand euro in 2020), to the subsidiary Marcolin USA Eyewear Corp. for 28,905 thousand euro (25,920 in 2020) and to the subsidiary Marcolin France Sas for 2,837 thousand euro (3,167 in 2020).

The amount refers to:

- 34.051 thousand euro in temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes;
- 13.444 thousand euro in tax assets recognised on tax losses.

Recognition of deferred tax assets was made possible by the prospect of realising the assets due to the expectation of future taxable profits according to the business plans prepared by the Group.

More information is provided in Note 29 on income taxes.

## 5. OTHER NON-CURRENT ASSETS

As of 31 December 2021, this item amounted to 842 thousand euro (compared to 271 thousand euro the previous year). The item mainly includes fees related to the parent company's ssRCF line of up to 46.2 million euro, which was not used at 31 December 2021.

## 6. NON-CURRENT FINANCIAL ASSETS

This item amounted to 0.2 thousand euro as at 31 December 2021 (1,025 thousand euro in 2020). The change in the year was due to the reclassification as current liabilities of the financial receivable granted by the Parent to a third party, for the original total amount of 5,000 thousand euro, on which interest accrues at market rates and whose repayment started in 2013 (with instalments until 2022).  The current portion receivable, recognised among current financial assets, is 800 thousand euro.

## 7. INVENTORIES

Inventories are detailed below:

| **Inventories** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---:|---:|
| Finished goods | 112,486 | 110,950 |
| Raw material | 18,472 | 15,467 |
| Work in progress | 18,520 | 19,058 |
| **Gross inventory** | **149,478** | **145,475** |
| Inventory provision | (46,171) | (39,611) |
| **Net inventory** | **103,307** | **105,863** |

Net inventories fell by 2.556 thousand euro from the previous year. The decrease, viewed in light of the average inventories for the years prior to 2020, demonstrates the positive effects of the corporate strategy aimed at making inventories more efficient, while guaranteeing the sustainability of the growth in sales volumes achieved in 2021 and expected in 2022.
The value of the inventory impairment provision is deemed to adequately cover the phenomena of commercial obsolescence and slow rotation of inventories, taking into account the composition and possibility of their rotation.

## 8. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

| **Trade receivables** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---:|---:|
| Gross trade receivables | 85,318 | 85,548 |
| Provision for bad debts | (14,556) | (13,895) |
| **Net trade receivables** | **70,762** | **71,652** |

Net trade receivables decreased by 890 thousand euro, a total amount substantially in line with the values of the previous year, with a very positive trend in the DSO index, which shows a constant improvement even compared to pre-Covid-19 levels.

The amount of receivables recognised was not discounted, since all receivables are due within 12 months.

The provision for doubtful debts was calculated in accordance with IFRS 9. More information is provided in the section on financial risk factors.

## 9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

| **Other current assets** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Tax credits | 7,757 | 4,818 |
| Prepaid expenses | 11,005 | 12,200 |
| Assets for rights to receive goods back | 9,975 | 7,349 |
| Other receivables | 1,356 | 1,672 |
| **Total other current assets** | **30,093** | **26,039** |

This item, totalling 30,093 thousand euro (26,039 thousand euro in 2020), increased by 4,054 thousand euro compared to the previous year.

“Tax credits” consist mainly of VAT and taxes paid on account. The increase in the year, amounting to 2.939 thousand euro, is mainly attributable to higher VAT receivables pertaining to the Parent Company deriving from a different mix effect compared to the previous year of VAT taxable purchases and sales occurred in the last months of the year.

Receivables from others is mainly composed of the receivable from the parent company 3 Cime S.p.A. by virtue of the tax consolidation contract in force with this company. The balance towards 3 Cime S.p.A. as of 31 December 2021 was 8,184 thousand euro compared to 10,833 thousand euro as of 31 December 2020. The decrease in the receivables with respect to the previous year derives from the recognition of the payables to the tax consolidation due to the taxable income for IRES purposes recognised by Marcolin S.p.A. in the 2021 financial year and the payment of the residual portion of the dividend resolved in 2017 and not yet distributed. This decrease is partially mitigated by the recognition of receivables for foreign withholding taxes transferred to the consolidated tax group in the context of Unico 2021 for 611 thousand euro.

The item Returned goods recovery rights includes the estimated right to recover the products from the customer upon settlement of the liability for future refunds, which is recognised in this item in accordance with IFRS 15.

"Other receivables" consists mainly of prepaid insurance premiums and other costs for projects relating to 2022.

## 10. CURRENT FINANCIAL ASSETS

This item amounted to 899 thousand euro as at 31 December 2021 (18,906 thousand euro in 2020). In the previous year, this balance contained mainly financial receivables of Marcolin S.p.A. from the associated company Thélios S.p.A., for a total of 18,127 thousand euro, in respect of a loan agreement signed with the associated company in order to allow it to financially support the start-up of operations in the initial phase of start-up. As a consequence of the termination of the joint venture at the end of 2021, this loan was repaid.

The current balance of 800 thousand euro refers to the current portion of a financial receivable granted by the Parent Company Marcolin S.p.A. to a third party, on which interest accrues at market rates and whose repayment started in 2013 (with instalments until 2022).

## 11. CASH AND CASH EQUIVALENTS

This item represents the value of cash deposits and highly liquid financial instruments, i.e., those with a maturity of up to three months.
The change during the period was a profit of 176.4 million euro. The increase is shown in the Consolidated Statement of Cash Flows, which provides information on the 2021 movements in cash and cash equivalents.

## 12. EQUITY

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 31 December 2021, the share capital was 100% owned by the shareholder 3 Cime S.p.A., following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding S.p.A., as part of the process of realising the investment in the joint venture with the LVMH Group Thélios S.p.A.

The share premium reserve was 170,304 thousand euro as at 31 December 2021, and the capital reserve account remained unchanged at 46,108 thousand euro.

The legal reserve of 6,437 thousand euro has not reached the limit imposed by Article 2430 of the Italian Civil Code.

The currency exchange reserve, amounting to 6,081 thousand euro, is recorded with reference to the conversion into euro of the financial statements of Group companies whose functional currency is different from the euro. The increase in this reserve compared to the previous year, amounting to 6,366 thousand euro, is directly attributable to the change in currency exchange rates during the year. The main impact stems from the appreciation in 2021 of the U.S. dollar and the pound sterling, which appreciated by 8% and 7%, respectively, compared to the same date last year.

The item Other Reserves, amounting to -4,684 thousand euro, includes 3,409 thousand euro for the exchange rate difference on the intercompany loan expressed in U.S. dollars, existing between Marcolin S.p.A. and the subsidiary Marcolin USA Eyewear Corp. On 18 November 2016, pursuant to a Board of Directors' meeting held on 27 October 2016 by Marcolin S.p.A., the intercompany loan's maturity date was terminated without providing for repayment of the loan in the foreseeable future. Therefore, in accordance with IAS 21, the loan to the American subsidiary is classified as a "*quasi equity loan*", so all the exchange differences associated with it are recognised in the consolidated Financial Statements in a specific equity reserve, like the exchange differences of Financial Statements denominated in foreign currency. At the end of October 2019, the company approved a partial waiver of the repayment of such loan with respect to a principal amount of 60 million U.S. dollars, to rebalance the American subsidiary's financial structure. The amount of the loan waived was recognised in Marcolin USA Eyewear Corp.'s equity as a capital reserve constituting an item of equity. With regard to the remaining part of the aforementioned financial receivable, excluded from the waiver deed, the conditions, terms and clauses already provided for and governed by the financing agreement and by the amendments that have been made over the years remain unchanged.
The same transaction was carried out during the 2020 financial year, in compliance with IAS 21, on the loan in place with the Brazilian subsidiary in the amount of 7,357 thousand euro, which was qualified as a *"quasi equity loan".*

The actuarial reserve regards future employee benefits accounted for under IAS 19, corresponding to Marcolin S.p.A.'s provision for severance indemnities.

The Statement of Changes in Equity provides more detailed information.

## 13. NON-CURRENT FINANCIAL LIABILITIES

This item amounted to 383,220 thousand euro and totalled 340,859 thousand euro at the end of 2020, a change of 42,361 thousand euro. The item mainly includes the value of the bond loan taken out on 27 May 2021 for a nominal amount of 350 million euro[6].

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[6] On 27 May 2021, Marcolin S.p.A. signed a guaranteed, non-convertible and non-subordinated senior bond loan, pursuant to articles 2410 et seq. of the Italian Civil Code, at a fixed rate of 6.125% and maturing in November 2026, for an amount of 350,000,000.00 euro, governed by the laws of the State of New York.
The key features are summarized below:
Recipients: The bonds may be offered and placed in: I) the United States exclusively to "qualified institutional buyers" pursuant to Rule 144A of the Securities Act of 1933 ("Securities Act"); II) Italy and in other countries other than the United States in accordance with the provisions of Regulation S under the Securities Act and exclusively to qualified investors, excluding any placement with the general public and in any case exempt from the regulations on Community and Italian public offerings pursuant to Regulation (EU) 2017/1129 and art. 100 of Legislative Decree No. 58 of 24 February 1998 and the relevant implementing rules contained in Article 35, paragraph 1, letter (d) of the CONSOB Regulation adopted by resolution 20307 of 15 February 2018 and in Article 34-ter, paragraph 1, letter (b) of the Regulation on issuers adopted by CONSOB by resolution No. 11971 of 14 May 1999;
Listing: on the Euro MTF multilateral trading facility managed by the Luxembourg Stock Exchange (non-regulated EU market), with the consequent disapplication of the issue limits provided for by Article 2412, paragraphs 1 and 2, of the Italian Civil Code;
Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.
Final repayment date: 15 November 2026.
Interest rate: fixed rate of 6.125%.
Interest payment dates: 15 May, 15 November of each year, commencing 15 May 2021 up to and including the final repayment date.

The refinancing was completed at the same time as the early repayment of the following financial liabilities: (i) the previous super senior revolving loan for an original amount of 40,000,000.00 euro underwritten on 3 February 2017, which was fully drawn at the date of repayment; (ii) the previous guaranteed, non-convertible, variable rate senior bond maturing in 2023 for an amount of 250,000,000.00 euro signed on 10 February 2017; (iii) the medium-long term loan agreement for an original total principal amount of 50,000,000.00 euro, signed on 24 June 2020 with the following pool of banks UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A., Credit Suisse AG, Milan Branch and Credit Agricole Friuladria S.p.A., assisted by a SACE guarantee, as provided for under the Liquidity Decree, entered into in consideration of the economic and financial situation resulting from the health emergency arising from the spread of Covid-19 and the business support measures contained in Decree-Law no. 23 of 8 April 2020 (as converted by Law no. 40 of 5 June 2020, the "Liquidity Decree").

The notes issued, which mature in 2026, are classified as non-current financial liabilities, and the related payable is accounted for in accordance with IFRS 9 with the amortised cost method to defer the transaction costs pertaining to future periods and to recognise them with the effective interest rate method. Costs totalling 7,886 thousand euro were suspended in relation to this loan, of which 757 thousand euro pertaining to 2021.

As part of the bond issue mentioned above, on 19 May 2021, a super senior revolving financing contract (ssRCF) was also signed, governed by English law, for a maximum amount of 46,250,000.00 euro, whose pool of banks is made up of Deutsche Bank Aktiengesellschaft, Banco BMP S.p.A., Credit Suisse AG (Milan Branch), Intesa Sanpaolo S.p.A. and UniCredit S.p.A. (the latter also acting as "Agent" and "Security Agent") whose maturity was set within the limit of 6 months prior to the maturity of the new bond issue. This revolving line has not been used as at 31 December 2021. With respect to this financing, accounted for within current financial liabilities, costs for a total of 694 thousand euro were suspended, of which 76 thousand euro pertaining to 2021, for a total amount of costs still suspended equal to 618 thousand euro.

This item also includes the value of the 25 million euro loan granted by the shareholder 3 Cime S.p.A. in 2020, including interest accrued at the balance sheet date.

For the sake of exhaustive disclosure, the net financial position is set forth below. More information is provided in the Report on Operations.

| **Net financial debt** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Cash and cash equivalents | 228,848 | 52,363 |
| Current and non-current financial assets | 1,137 | 19,931 |
| Current financial liabilities | (21,426) | (68,165) |
| Current portion of non-current financial liabilities | (674) | (2,326) |
| Non-current financial liabilities | (383,220) | (340,859) |
| **Net financial position** | **(175,335)** | **(339,056)** |
| Loan from parent company 3 Cime S.p.A. | 27,279 | 25,779 |
| **Net financial position Adjusted** | **(148,056)** | **(313,277)** |

Finally, it should be noted that, in addition to the commitments undertaken and better described below (see Note 20), with reference to the *Revolving Credit Facility*, there are commitments relating to compliance with certain parameters (*covenants*) at the consolidated level of Marcolin S.p.A. and its subsidiaries. As more fully specified in the Report on Operations, in the paragraph on actions in the financial area, until 31 March 2022 there is the "*minimum liquidity covenant*", set at 10 million euro as the minimum level of cash, including any unused available credit lines, to be calculated on a quarterly basis by Marcolin S.p.A. From 30 June 2022, it will be replaced by the*"Total Net Leverage ratio covenant"* (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the loan agreement also includes, on a residual basis, certain disclosure obligations, other general commitments and certain limitations on the performance of certain investment and financing activities, commensurate with the capacity present in the calculation of certain *baskets*.

## 14. NON-CURRENT PROVISIONS

This item amounted to 7,107 thousand euro (compared to 6,763 thousand euro in 2020), with a decrease of 344 thousand euro compared to the previous year.

The amounts of the long-term provisions and the relevant changes for the year and for the previous year are shown below:

| **Non-current funds** *(euro/000)* | **Provision for severance employee indemnities** | **Provision for agency terminations** | **Other funds** | **Total** |
|---|---|---|---|---|
| **12/31/2019** | **3,514** | **1,207** | **2,157** | **6,878** |
| Allowances | 205 | 284 | 719 | 1,208 |
| Use / reversal | (215) | (274) | (689) | (1,179) |
| Actuarial loss / (gain) | (47) | - | - | (47) |
| Reclassifications | 6 | - | - | 6 |
| Translation difference | - | (57) | (46) | (103) |
| **12/31/2020** | **3,463** | **1,160** | **2,140** | **6,763** |
| Allowances | 200 | 238 | 811 | 1,248 |
| Use / reversal | (431) | (381) | (264) | (1,076) |
| Actuarial loss / (gain) | 76 | - | - | 76 |
| Translation difference | 46 | 2 | 48 | 95 |
| **12/31/2021** | **3,354** | **1,018** | **2,735** | **7,107** |

The item Employee benefits includes the provision for severance indemnities (TFR), mainly referred to the Parent Company for 2,357 thousand euro[7], which was subject to actuarial valuation at year-end. [8].
The additional information required under Revised IAS 19 is provided hereunder:

- sensitivity analysis of each significant actuarial assumption at the end of the year, showing effects of changes in actuarial assumptions that are reasonably possible at that date, and in absolute terms:

| **Sensitivity analysis** | **DBO * al 12/31/2021** |
|---|---|
| Turnover rate +1,00% | 2,340 |
| Turnover rate -1,00% | 2,376 |
| Inflaction rate +0,25% | 2,384 |
| Inflaction rate -0,25% | 2,332 |
| Actuarial rate +0,25% | 2,316 |
| Actuarial rate -0,25% | 2,400 |

* *Defined Benefit Obligation*

- next year's service cost and average vesting period of the defined benefit obligation:

| **Next year service cost** | |
|---|---|
| Next year service cost | - |
| Vesting period | 7.72 |

- payments foreseen under the plan:

| **Years** | **Payments foreseen** |
|---|---|
| 1 | 247 |
| 2 | 216 |
| 3 | 143 |
| 4 | 226 |
| 5 | 200 |

[7] The provision consists of the benefits that accrued to employees until 31 December 2006, to be paid upon or subsequent to termination of employment: the TFR accruing from 1 January 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.
[8] Below are the parameters used in preparing the relevant actuarial calculation: 1) mortality rate: Table RG48 General State Accounting Office; 2) incapacity rates: INPS tables broken down by age and sex; 3) staff turnover rate: 5%; 4) rate of severance pay advances: 2%; 5) discount/interest rate: 0.44%; 6) rate of increase in severance pay: 2.8% for 2021, 2.1% for 2020; 7) inflation rate: 1.75%, for 2021, 0.8% for 2020.

The provision for agency termination principally presents the liability regarding severance indemnities with respect to agents and is calculated in accordance with the applicable regulations.

Finally, the provision for risks and charges presents the estimated amount, in a medium/long-term time horizon, of future obligations toward third parties for liabilities arising in previous periods.

**15. OTHER NON-CURRENT LIABILITIES**

At the end of the reporting period, the value of other non-current liabilities amounted to 752 thousand euro (compared to 167 thousand euro in 2020). The change compared to the previous year is mainly due to non-commercial payables of Marcolin S.p.A., mostly related to the value of the deferral of the tax credit for the purchase of capital goods in 2021, which will be recovered in future years based on the depreciation rates of the fixed assets on which this credit was calculated..

**16. TRADE PAYABLES**

The following table sets forth the trade payables by geographical area:

| **Trade payables by geographical area** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 106,493 | 32,502 |
| Rest of Europe | 4,141 | 4,994 |
| North America | 17,547 | 18,814 |
| Rest of Word | 18,713 | 38,314 |
| **Total** | **146,894** | **94,625** |

With reference to trade payables, the balance as at 31 December 2021 shows an increase compared to the same period of the previous year, mainly due to the return to pre-Covid-19 volumes of procurement of goods, especially at the end of 2021, to meet the first quarters of the following year which, due to the seasonality of sales typical of the sector, see a higher volume of turnover compared to the other quarters of the year. However, the balance as at 31 December 2020 was particularly low as a result of both the reduction in supplies of goods and the policy of containing costs to cope with the effects of Covid-19.

The recognised trade payables were not subject to discounting, as the amount is a reasonable representation of their fair value, in consideration of the fact that there are no payables due beyond the short term.

In compliance with the disclosure requirements of IFRS 7, it is reported that as at 31 December 2021, there were no past-due trade payables, excluding the accounts being disputed by the Company with suppliers, which are of immaterial amounts.

**17. CURRENT FINANCIAL LIABILITIES**

Current financial liabilities amounted to 22,100 thousand euro (compared to 70,491 thousand euro in 2020), a decrease of 48,392 thousand euro compared to the previous year.

The main items making up the balance are described below:

- for a total of 12,967 thousand euro, the balance of short-term borrowings from the banking system (in 2020 amounting to 59,581 thousand euro);
- payables to other lenders for 3,860 thousand euro, mainly related to the accrued interest payable on the Bond (in 2020 equal to 6,236 thousand euro);
- short-term liabilities for leasing
- 5,271 thousand euro related to the application of the new accounting standard IFRS16; for further details please refer to the paragraph related to the accounting standards adopted by the Group.

The following table presents the maturities of the financial payables, which are classified as either current financial liabilities or non-current financial liabilities.

| **Borrowings maturity** *(euro/000)* | **Within 1 year** | **From 1 to 3 years** | **From 3 to 5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|
| Credit lines used | 6,935 | - | - | - | **6,935** |
| Loans | 8,942 | 342 | - | - | **9,284** |
| Financial liabilities as under IFRS16 (*) | 5,271 | 6,178 | 3,083 | 353 | **14,885** |
| Other financiers | 2,613 | 1,453 | 370,150 | - | **374,216** |
| **12/31/2021** | **23,761** | **7,973** | **373,232** | **353** | **405,320** |

As at 31 December 2021, there were no exchange rate hedging instruments in place.

## 18. CURRENT PROVISIONS

The table below presents the most significant changes of the year and of the previous year:

| **Current funds** *(euro/000)* | **Other funds** | **Returns Reserve** | **Warranty provision** | **Total Other funds** |
|---|---|---|---|---|
| **12/31/2019** | **368** | **11,947** | **3,964** | **16,278** |
| Allowances | 199 | 1,815 | 417 | 2,432 |
| Use / reversal | (332) | (1,389) | (1,730) | (3,450) |
| Translation difference | (3) | (799) | (418) | (1,219) |
| **12/31/2020** | **233** | **11,574** | **2,233** | **14,041** |
| Allowances | 381 | 2,667 | 539 | 3,588 |
| Use / reversal | (198) | 259 | (160) | (99) |
| Translation difference | 4 | 685 | 80 | 769 |
| **12/31/2021** | **420** | **15,186** | **2,692** | **18,298** |

Other current provisions amounted to 18,298 thousand euro as at 31 December 2021.
The other provisions, totalling 420 thousand euro, refer to potential risks originating mainly from legal obligations.
In accordance with IFRS 15, the returns provision and product warranty provision are recognised by reference to the future sales and/or qualitative returns expected to be received from customers based on the available contractual information and past statistics.

## 19. OTHER CURRENT LIABILITIES

Below are the details of the other current liabilities:

| **Other current liabilities** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Payables to personnel and others | 22,075 | 17,994 |
| Dividends to Shareholders | - | 1,107 |
| **Total other current liabilities** | **22,075** | **19,101** |

The other current liabilities consist primarily of amounts due to personnel and the related social security contributions.
The increase in the portion of payables to employees is mainly due to a lower utilisation of the provision for holidays and leaves of absence compared to 2020, the extraordinary reduction of which in the previous year was mainly due to governmental measures implemented to reduce the spread of the Covid-19 pandemic. There is also an increased provision for bonuses, such as MBO and performance bonuses, as a result of the achievement of annual targets, which were not reached in the previous year.
Payables to shareholders for dividends amounted to zero as at 31 December 2021 as a result of the offsetting of this payable item with the parent company 3 Cime S.p.A. during the financial year 2021, with a corresponding amount receivable from the same parent company arising from tax items transferred to the parent company under the current tax consolidation agreement. It should be noted that the amount of the payable of 1,107 thousand euro as at 31 December 2020 corresponded to the component not yet paid to the shareholder 3 Cime S.p.A. in reference to a dividend distribution resolved by the shareholders' meeting of 10 February 2017, for a total amount of 25,900 thousand euro.

## 20. COMMITMENTS AND GUARANTEES

***Guarantees associated with the bond issue***

By notarial deed dated 19 May 2021, the Board of Directors approved the issue of a *senior*, guaranteed, non-convertible bond with a total nominal value of 350,000,000 euro.
The bonds are secured by collateral provided by the Company, its controlling shareholder 3 Cime S.p.A. and certain of the Company's subsidiaries (as indicated below) for the exact fulfilment of, among others, the obligations assumed by the Company towards the mass of holders of the bonds, consisting of:

(i) a first-degree lien on the shares of Marcolin S.p.A. held by 3 Cime S.p.A.;

(ii) a pledge on the shares representing the entire share capital of Marcolin (UK) Limited, Marcolin France S.A.S., Marcolin (Deutschland) GmbH, Marcolin USA Eyewear Corp;

(iii) an assignment as security of receivables of Marcolin S.p.A. arising from certain intra-group loans granted by the Company to certain companies controlled by it;

(iv) a pledge of all significant assets of Marcolin USA Eyewear Corp;

(v) a special lien pursuant to Article 46 of Legislative Decree No 385 of 1 September 1993 established by Marcolin S.p.A. on some of its movable assets.

For further information, please refer to the Marcolin Group's website for the document called "Offering Memorandum" prepared at the same time as the issue of the bond in question.

***Licenses***

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.
As well as guaranteed minimums in terms of royalties, these contracts also establish a commitment for advertising expenses; the total of these future commitments, as at 31 December 2021, amounted to 346,474 thousand euro (334,290 thousand euro in 2020), of which 75,875 thousand euro are due within the next financial year.

| **Guaranteed minimum Royalties due** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---:|---:|
| Within one year | 75,875 | 70,911 |
| In one to five years | 204,362 | 263,379 |
| After five years | 66,237 | - |
| **Total** | **346,474** | **334,290** |

The Group also has guarantees in place against third parties for 3,320 thousand euro (2,237 thousand euro in 2020).

## MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's Consolidated Income Statement results are presented in comparison with the 2020 results.

### 21. REVENUE

The following table sets forth the 2021 net sales revenue by geographical area:

| Net Revenues by geographical area | 2021 | | 2020 | | Variations | |
|---|---|---|---|---|---|---|
| (euro/000) | euro | % of total | euro | % of total | euro | % of total |
| *Italy* | *32,696* | *7.2%* | *24,568* | *7.2%* | *8,128* | 33.1% |
| *Rest of Europe* | *173,472* | *38.1%* | *131,872* | *38.8%* | *41,600* | 31.5% |
| Europe | 206,168 | 45.3% | 156,440 | 46.0% | 49,728 | 31.8% |
| Americas | 199,286 | 43.8% | 143,540 | 42.2% | 55,746 | 38.8% |
| Asia | 16,352 | 3.6% | 12,863 | 3.8% | 3,490 | 27.1% |
| Rest of World | 33,567 | 7.4% | 27,135 | 8.0% | 6,432 | 23.7% |
| **Total** | **455,374** | **100.0%** | **339,978** | **100.0%** | **115,396** | **33.9%** |

Net revenue in 2021 amounted to 455,374 thousand euro compared to 339,978 thousand euro in 2020.
The Report on Operations provides a description of revenue by geographical area.

### 22. COST OF SALES

The following table shows a detailed breakdown of the cost of sales:

| Cost of sales (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Cost of product | 177,567 | 39.0% | 138,521 | 40.7% |
| Cost of personnel | 11,887 | 2.6% | 9,561 | 2.8% |
| Amortization, depreciation and writedowns | 3,700 | 0.8% | 3,899 | 1.1% |
| Other costs | 4,665 | 1.0% | 3,561 | 1.0% |
| **Total** | **197,818** | **43.4%** | **155,543** | **45.8%** |

Cost of sales amounted to 197,818 thousand euro compared to 155,545 thousand euro in 2020.
The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

### 23. DISTRIBUTION AND MARKETING EXPENSES

The following is a breakdown of distribution and *marketing* costs for the year 2021:

| Distribution and marketing expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Cost of personnel | 53,413 | 11.7% | 47,841 | 14.1% |
| Commissions | 28,702 | 6.3% | 23,355 | 6.9% |
| Amortization, depreciation and writedowns | 19,216 | 4.2% | 19,500 | 5.7% |
| Royalties | 54,100 | 11.9% | 37,300 | 11.0% |
| Advertising and PR | 29,838 | 6.6% | 18,229 | 5.4% |
| Other costs | 25,493 | 5.6% | 20,860 | 6.1% |
| **Total** | **210,761** | **46.3%** | **167,085** | **49.1%** |

This item, amounting to 210,761 thousand euro compared to 167,085 thousand euro in 2020, shows a significant improvement in terms of percentage on consolidated revenues, mainly due to the positive effect of both its fixed or semi-fixed component given by personnel costs and the better absorption of marketing costs. The result achieved is particularly positive, considering that, in 2020, this item benefited from significant actions taken by the management aimed at containing the Group's costs following the sudden reduction in turnover due to the Covid-19 pandemic, such as the suspension of costs considered non-strategic as well as the use of government subsidies in favour of companies such as access to the redundancy fund.
With reference to advertising/PR costs, publicity and *marketing* activities in support of the *brands* in the portfolio, both for licensed *brands* and *in-house brands*, resumed with the ordinary trend typical of the pre-Covid-19 period.
Other costs include mainly business expenses, such as shipping costs on sales, marketing expenses incurred for the sales network, services regarding the sales area, rent expense, travel expenses, telephone expenses, insurance costs and entertainment expenses.

### 24. GENERAL AND ADMINISTRATION EXPENSES

The general and administrative expenses are set forth below:

| General and administrative expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Cost of personnel | 15,394 | 3.4% | 14,242 | 4.2% |
| Writedown of receivables | 625 | 0.1% | 5,154 | 1.5% |
| Amortization, depreciation and writedowns | 4,213 | 0.9% | 4,123 | 1.2% |
| Other costs | 16,607 | 3.6% | 15,294 | 4.5% |
| **Total** | **36,839** | **8.1%** | **38,813** | **11.4%** |

General and administrative costs amounted to 36,839 thousand euro in 2021 compared to 38,813 thousand euro in 2020. This category includes mainly fixed costs, which is why the ratio to revenues improved by more than 3% compared to the previous year. The provision for doubtful debts, of an insignificant amount in 2021, is the direct result of the excellent quality of trade receivables generally present in all markets where the Group operates, as a direct consequence of the significant activities undertaken by management since the last few years to improve the quality of trade receivables both in terms of riskiness and DSO.

Other costs include the compensation of directors, statutory auditors, the independent auditing firm and other external professionals; general and administrative services, information technology expenses, general and administrative consulting services, telephone expenses, insurance costs, travel expenses, rent expense, rentals and other sundry expenses.

### 25. EMPLOYEES

The 2021 end-of-period and average numbers of employees of the various Group companies (including the work force on temporary contracts) are broken down below in comparison with the previous year:

| Employees | Final number | | Average number | |
|---|---|---|---|---|
| Category | 12/31/2021 | 12/31/2020 | 2021 | 2020 |
| Managers | 73 | 71 | 71 | 76 |
| Staff | 1062 | 989 | 1,037 | 1,023 |
| Manual workers | 712 | 663 | 694 | 678 |
| **Total** | **1,847** | **1,723** | **1,802** | **1,777** |

## 26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

| Other operating income and expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Other income | 1,560 | 0.3% | 3,643 | 1.1% |
| Other expenses | (106) | (0.0%) | (9,451) | (2.8%) |
| **Total** | **1,454** | **0.3%** | **(5,808)** | **(1.7)%** |

The balance of this item was a gain of 1,454 thousand euro compared to a charge of 5,808 thousand euro in the previous year. This item tends to include various recharges to third parties, contingent assets and liabilities and various compensations. The year 2020 saw the recognition of items of a non-recurring nature such as revenues income from the sale of business units by some European commercial subsidiaries to the corresponding Thélios subsidiaries present in the same country, thus ceasing the provision of sales management services in those territories by Marcolin subsidiaries on behalf of the Thélios joint venture, while, among costs, expenses arising from contract renegotiations with some suppliers.

## 27. SHARE OF PROFITS/(LOSSES) OF ASSOCIATES

The amount of 166,764 thousand euro corresponds exclusively to the effect of the deconsolidation of the investment in Thélios S.p.A., which was previously recognised in the consolidated financial statements using the equity method. As already described in the section of these Explanatory Notes *3. Equity investments*, on 23 December 2021, Marcolin and LVMH decided to terminate the equity investment relationship in the *Joint Venture* Thélios. This transaction, among others, resulted in income from equity investments recognised in this item as the differential between the amount received from the sale to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro and the value of the equity investment in Thélios which, at the date of the transaction, was equal to -8.8 million euro.

## 28. FINANCIAL INCOME AND COSTS

The details for financial income and costs are presented below:

| Financial income and costs (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Financial income | 8,485 | 1.9% | 11,309 | 3.3% |
| Financial costs | (29,878) | (6.6)% | (34,145) | (10.0%) |
| **Total** | **(21,393)** | **(4.7)%** | **(22,836)** | **(6.7)%** |

The composition of financial income is shown below:

| Financial income (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Interest income and others | 567 | 0.1% | 918 | 0.3% |
| Gains on currency exchange | 7,917 | 1.7% | 10,391 | 3.1% |
| **Total** | **8,485** | **1.9%** | **11,309** | **3.3%** |

The composition of finance costs is shown below:

| Financial costs (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Interest expense | (26,564) | (5.8)% | (20,104) | (5.9)% |
| Losses on currency exchange | (3,314) | (0.7)% | (14,041) | (4.1%) |
| **Total** | **(29,878)** | **(6.6)%** | **(34,145)** | **(10.0)%** |

Financial income and expenses had an overall negative balance of 21,393 thousand euro, compared to 22,836 thousand euro in 2020.

The balance of financial management shows income of 8,485 thousand euro and expenses of 29,878 thousand euro. The components are classifiable in two different categories: financial income and costs, and exchange differences.
The first component consists of:

- interest and other financial income of 567 thousand euro;
- interest expense of 26.564 thousand euro consisting primarily of:
  - 18,603 thousand euro in interest to service the bond loan held by Marcolin S.p.A., which is paid in semi-annual instalments in May and November;
  - The reversal to profit or loss of the issue costs of the old bond issue, accounted for in accordance with IFRS under the *amortised cost* financial method, in addition to the same residual component related to the redemption of the previous bond issue settled in May 2021;
  - 5,030 thousand euro of net financial expenses (for 3,110 thousand euro referred to the parent company Marcolin S.p.A. and for 1,920 thousand euro to the other subsidiaries) referred to interest from other financial institutions and effect of discounting;

With reference to foreign exchange gains and losses, it should be noted that the total contribution of these items was positive for 4,603 thousand euro in 2021 compared to the net negative balance of 3,649 thousand euro recognised in the previous year.

As at 31 December 2021, there were no hedging contracts in place for foreign exchange transactions (purchases and sales).

## 29. INCOME TAXES

The balance of this item amounted to expenses of 3,980 thousand euro, of which current taxes amounted to 2,524 thousand euro, net deferred taxes amounted to 1,989 thousand euro, expenses from tax consolidation amounted to 2,146 thousand euro and taxes related to the previous year amounted to 706 thousand euro.

| **Income tax expense** *(euro/000)* | **2021** | **2020** |
|---|---|---|
| Current taxes | (3,118) | (275) |
| Deferred taxes | 1,989 | 7,889 |
| Income/(Expenses) from Tax Consolidation | (2,146) | 3,363 |
| Taxes relating to prior year | (706) | 148 |
| **Total income tax expense** | **(3,980)** | **11,125** |

Current taxes for the year 2021 amounting to 3,118 thousand euro are attributable to the companies (excluding the Parent Company), which closed their financial year with a positive taxable income (particularly in Russia and Brazil). With reference to Marcolin S.p.A., a tax consolidation charge of 2,146 thousand euro was recorded, entirely due to the IRES credit of the Parent Company towards 3 Cime S.p.A. under the tax consolidation agreement in force with the Parent Company. Additional information is contained in the section on Italian tax consolidation at the beginning of these notes. Deferred taxes, on the other hand, mainly relate to foreign subsidiaries.

The current tax burden was determined on the basis of the taxable income of each company, taking into account the use of any accumulated tax losses and applying the tax rules and tax rates in force in each country.

Income taxes for the year are reconciled with the theoretical tax burden in the following table:

| Tax rate reconciliation<br>*(euro/000)* | 12/31/2021 | | 12/31/2020 | |
|---|---|---|---|---|
| **Results before tax** | | **156,781** | | **(68,135)** |
| Theoretical taxes | 24.0% | (37,627) | 24.0% | 16,352 |
| Impact of foreign tax rate different from italian tax rate | 0.3% | (525) | -1.5% | (1,054) |
| IRAP and other | 0.1% | (226) | 1.6% | 1,108 |
| Higher taxes due to non-deductible costs | 2.9% | (4,564) | -9.2% | (6,248) |
| Lower taxes for non-taxable income | -25.3% | 39,641 | 1.0% | 669 |
| Taxes relating to prior year | 0.5% | (706) | 0.3% | 205 |
| Unrecognised deferred tax assets on tax losses | 0.1% | (153) | -0.5% | (311) |
| Use of accumulated tax losses unrecognised deferred tax assets in previous year | -0.1% | 178 | 0.1% | 63 |
| Impact of tax change rates on taxes | 0.2% | (379) | 0.0% | - |
| Activation of deferred tax assets unrecognised previous years | -0.1% | 208 | 0.4% | 265 |
| Other | -0.1% | 174 | 0.1% | 77 |
| **Total income / tax expense** | **2.5%** | **(3,980)** | **16.3%** | **11,125** |

Deferred taxes and the changes therein are presented in the following tables:

| **Deferred tax assets**<br>*(euro/000)* | Temporary differences 12/31/2021 | Tax on tamporary differences 12/31/2021 | Temporary differences 12/31/2020 | Tax on tamporary differences 12/31/2020 |
|---|---|---|---|---|
| Accumulated tax losses | 54,466 | 13,444 | 54,162 | 13,228 |
| Grants and compensation deductible on a cash basis | 5,860 | 1,480 | 10,763 | 2,682 |
| Non-deductible financial interest | 50,057 | 10,993 | 40,909 | 8,897 |
| Inventory provisions | 40,604 | 10,581 | 33,624 | 8,542 |
| Provision for return risks | 1,483 | 476 | 1,415 | 405 |
| Intangible assets subject to taxation | 1,947 | 774 | 2,661 | 714 |
| Taxed provision for doubtful debts | 8,338 | 2,324 | 8,709 | 2,348 |
| Unrealized currency exchange differences | 2,283 | 1,154 | 3,633 | 1,117 |
| Reddito CFC | 1,446 | 351 | - | - |
| Non-deductible temporary amortization | 1,471 | 490 | 2,174 | 640 |
| Supplementary client indemnity provision | 1,237 | 345 | 319 | 89 |
| Other | 6,087 | 6,002 | 15,519 | 5,333 |
| Provisions for risks and charges | 10,342 | 2,669 | 9,240 | 2,474 |
| Intercompany profit | 4,384 | 1,140 | 7,213 | 2,069 |
| **Total deferred tax assets** | **190,005** | **52,223** | **190,340** | **48,539** |

| **Deferred tax liabilities**<br>*(euro/000)* | Temporary differences 12/31/2021 | Tax on tamporary differences 12/31/2021 | Temporary differences 12/31/2020 | Tax on tamporary differences 12/31/2020 |
|---|---|---|---|---|
| Unrealized currency exchange differences | (10,752) | (2,625) | (8,535) | (1,903) |
| Property, plant and equipment and intangible assets | (1,855) | (507) | (1,432) | (399) |
| Equity-method accounting of JV and other equity investm | - | - | (17) | (5) |
| Finance costs deducted on a cash basis | - | - | (2,095) | (503) |
| Other | (7,213) | (1,596) | (8,774) | (2,032) |
| Actuarial gain / losses on TFR under IAS | (76) | (0) | (6) | (2) |
| **Total deferred tax liabilities** | **(19,897)** | **(4,728)** | **(20,860)** | **(4,836)** |
| | | | | |
| **Total net DTA/DTL** | **170,108** | **47,495** | **169,480** | **43,703** |

The difference, compared to the previous year, of the balance of deferred tax assets and liabilities in the Balance Sheet, amounting to 3,792 thousand euro, differs from the balance of deferred taxes in the Income Statement, amounting to 1,989 thousand euro, for the following reasons:

- Deferred tax recognition on amounts accounted for in equity totalling 687 thousand euro;
- Adjustment of deferred taxation following the completion of the tax return in the year 2021 for a total of 119 thousand euro, for which the component in the income statement is classified in the item *Taxes related to the previous year*;
- Adjustment deriving from the translation into euro of the accounts of Group companies whose functional currency differs from the euro.

The Group companies' tax losses are 3.2 million euro for which, out of prudence, deferred tax assets were not recognised. Based on the tax rates of the various companies involved, such deferred tax assets would amount to 0.9 million euro.

## DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED PARTY TRANSACTIONS AND SIGNIFICANT POST BALANCE SHEET EVENTS

The information with respect to atypical and unusual transactions and transactions with related parties is disclosed in this section.

### *Significant non-recurring events and transactions*

Significant non-recurring events and transactions that impacted the Group's financial position, financial performance and cash flows in 2021 regard some non-recurring costs, described in detail in the Report on Operations.

### *Atypical and unusual transactions*

There were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity in 2021 that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A. and the Group.

### *Transactions with related parties with and equity-accounted associates*

In addition to the transactions between the consolidated companies, transactions took place during the year with the equity-accounted associates and other related parties.
Related-party transactions were of a trade nature, conducted at market conditions, and regarded licensing agreements in particular.

The transactions and outstanding balances with respect to related parties as at 31 December 2021 are shown below, as required by IAS 24:

| **Company** *(euro/000)* | **Expenses** | **Revenues** | **Payables** | **Receivables** | **Type** |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 60 | - | 125 | - | Related party |
| Coffen Marcolin Family | 662 | - | 277 | 0 | Related party |
| 3 Cime S.p.A. | 1,500 | - | 27,279 | 8,184 | Consolidating |
| **Total** | **2,222** | **-** | **27,680** | **8,184** | |

The same table is set forth for 2020:

| **Company** *(euro/000)* | **Expenses** | **Revenues** | **Payables** | **Receivables** | **Type** |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 40 | - | 109 | - | Related party |
| Coffen Marcolin Family | 487 | - | 95 | 0 | Related party |
| 3 Cime S.p.A. | 779 | - | 25,779 | 10,833 | Consolidating |
| Thélios Group | 2,975 | 3,081 | 4,804 | 19,875 | Associates |
| **Totale altre parti correlate** | **4,280** | **3,081** | **30,787** | **30,707** | |

All related-party transactions are carried out at market conditions.

The remuneration of the Group's Directors, Statutory Auditors and Key Management Personnel ("Others") is reported below:

| | **2021** | | **2020** | |
|---|---|---|---|---|
| *(euro/000)* | **Board of Directors** | **Statutory Auditors** | **Board of Directors** | **Statutory Auditors** |
| Base fee | 185 | 100 | 215 | 100 |
| Salaries and benefits | 1,000 | - | 629 | - |
| **Total** | **1,185** | **100** | **844** | **100** |

It should be noted that during the year other sums were paid to the Board of Directors as described in paragraph "24. General and administrative costs".

***Other information pursuant to Article 2427, point 16 bis of the Italian Civil Code***

The following table presents the 2021 fees of the auditing firm, Pricewaterhouse Coopers S.p.A., for audit services performed by that firm, as required under Article 2427, point 16 *bis* of the Italian Civil Code:

| **Audit and other services** *(euro/000)* | **Amount** |
|---|---|
| Audit for Marcolin S.p.A. | 124 |
| Audit for other subsidiaries | 71 |
| Other services for Marcolin S.p.A not for Audit | 20 |
| **Total** | **215** |

***Government grants***

The 2017 annual law for market and competition required disclosure in the notes to the Financial Statements of grants, subsidies, paid engagements and all financial benefits in general received from public entities and companies controlled by public entities (Law no. 124 of 4 August 2017 – Article 1, paragraphs 125 to 129 – hereinafter “Law 124/2017”). Mandatory disclosure is effective from 2019 regarding all financial benefits received from 1 January 2018. The 2021 information for Marcolin S.p.A., presented on a cash basis, is set out below.

*Super-deprecation benefit*

During the 2019 financial year, in the period between 1 January 2019 and 31 December 2019, Marcolin S.p.A. incurred costs for investments in new capital goods for which it benefited from the so-called "super-amortisation" referred to in Article 1, paragraph 91 et seq. of Law 208/2015 and subsequent extensions, the total quantification of which was shown in the tax return filed during the 2021 financial year in the amount of 542,842 euro.

*Hyper-depreciation benefit*

Marcolin S.p.A. during the 2019 financial year, in the period between 1 January 2019 and 31 December 2019, incurred costs for investments in new capital goods for which it benefited from the so-called "hyper-amortisation" referred to in Article 1, paragraphs 8 to 11, of Law 232/2016 and subsequent extensions, the total quantification of the benefit of which was shown in the tax return filed during the 2021 financial year in the amount of 670,404 euro.

*New tax credit for purchases of capital goods*

The 2020 Budget Law (Law 160/2019, Article 1, paragraphs 184-197) fully replaced the super-/hyper-depreciation regulations with those regarding a new tax credit available for investments in new capital goods.
This credit applies to investments made from 1 January 2021 until 31 December 2021, or until 31 December 2022 provided that, by 2021, the relevant purchase order is formally accepted by the seller and down payments of at least 20% of the acquisition cost have been made.
Marcolin S.p.A. incurred eligible costs in 2021 that resulted in a tax credit of 747,232 euro.

*Personal protective equipment (PPE)*

Article 32 of Decree-Law No. 73 of 25 May 2021 recognised a tax credit in relation to expenses incurred in June, July and August 2021 for the sanitisation of environments and tools used and for the purchase of personal protective equipment and other devices to ensure the health of workers and users, including expenses for the administration of swabs for Covid-19.
During the above quarter, Marcolin S.p.A. incurred costs attributable to the above category for 86,653 euro, against which it obtained a tax credit of 25,996 euro.

*Advertising investment tax credit for the year 2021*

Article 57-bis of Decree-Law No. 50 of 24 April 2017, converted with amendments by Law No. 96 of 21 June 2017, as amended, established, as of 2018, a tax credit on incremental advertising investments, with a minimum increase of 1% compared to similar investments in the previous year, made by companies, self-employed persons and non-commercial entities, in the press (daily newspapers and periodicals, local and national) and on local radio and television broadcasters. Limited to the years 2020, 2021 and 2022, the tax credit is granted in the single measure of 50% of the value of the investments made and the requirement of a minimum increase of 1% compared to the investments made in the previous year is waived.
In 2021, Marcolin S.p.A. incurred eligible costs that resulted in a tax credit of 18,163 euro.

*“Industria 2015” - New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation*

In 2010, the research, development and innovation project “Industria 2015” - New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation, Objective B Area, Project Number MI00153 was launched. The purpose of the project was to create a platform for supply chain integration that operates on the technical and operational aspects of the companies, which should encourage the competitive and technological development of Italian eyewear business systems. The platform should enable marketing and supply chain events to be communicated quickly to the entire production process, and any critical issues leading to changes in supply chain planning to be made visible rapidly to all interested parties. The platform will also create interactive communications between the various parties in the supply chain.
Under Ministry of Economic Development Decree no. 00098MI01, dated 21 December 2013, expenses of 13,747,949 euro and total facilities of 4,247,627 euro were granted. Marcolin S.p.A.'s investment is 849,686.49 euro, with a total contribution to expenses of 182,790.90 euro, as budgeted. In 2016, the Company received 25,108.85 euro of the grant.

*R&D credit*

Marcolin S.p.A. incurred expenditure for research and development (R&D) activities in 2015 and subsequent years. In the course of 2021, the determination and validation of the R&D credit related to the costs incurred during the tax years 2016 and 2017 were completed and the relevant supplementary declarations were submitted, as a result of which a credits of 38,400.20 and 335,281.16 euro, respectively, were recorded.

*Exemption from INPS contributions on new employees*

The company benefited from the following INPS contribution exemptions during 2021:
•Subsidies for the first open-ended contract for young people under 35 (GECO) 66,404 euro
•Concessions on open-ended recruitment from 15/08/2020 to 31/12/2020 Legislative Decree 104/2020 13,455 euro

***Significant events occurring after the end of the financial year***

It should be noted that after 31 December 2021 and up to the date of approval of these financial statements, no business events have occurred that would have a material impact on the reported financial results (IAS 10).
Business performance in the first months of 2022 was very positive, exceeding management's expectations generally in all markets.
However, it should be noted that geopolitical tensions, culminating in the war between Russia and Ukraine at the end of February 2022 and, in particular, the sanctions imposed by certain governments against Russia, could directly or indirectly negatively affect the Group's future economic and financial performance, considering the negative repercussions that various sectors and markets could suffer globally in terms of the supply chain, the availability of raw materials and, last but not least, possible restrictions and crises on financial markets.
To mitigate this risk, it should be noted that the Marcolin Group had no significant exposure to the Russian and Eastern European markets as at 31 December 2021. In Russia there is a sales subsidiary, while in Eastern European countries the Group is active through independent third-party distributors. Overall, the turnover generated in these territories does not exceed 2% of the total consolidated turnover.
With reference to the Russian subsidiary, it should be noted that, to date, it has sufficient liquidity and inventories to enable it to independently support the business over the next few months. In fact, it should be noted that, on the basis of the branch's most recent accounting situation drawn up as at 28 February 2022, the company's main assets are represented by 2.2 million euro of net inventory, 0.6 million euro of trade receivables from third-party customers and 1 million euro of cash on current account. Shareholders' equity amounted to 3.4 million euro. These amounts were converted into euros using the final exchange rate of 28 February 2022, at a rate of 115.48, a currency that as at 28 February 2022 had depreciated by more than 35% compared to the final exchange rate of 85.30 as at 31 December 2021.
Any further effects related to this event are currently unquantifiable given the high uncertainty and volatility surrounding the evolution of the current war conflict.

No other significant events took place after the end of 2021.

# REPORT BY THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

# INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 39, ARTICLE 14 OF 27 JANUARY 2010 MARCOLIN S.p.A.

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## *Independent auditor's report*

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010*

To the sole shareholder of
Marcolin SpA

## *Report on the Audit of the Consolidated Financial Statements*

### *Opinion*

We have audited the consolidated financial statements of Marcolin Group (the Group), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Marcolin SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements*

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers SpA*

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The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Marcolin SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

## *Report on Compliance with other Laws and Regulations*

### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10*

The directors of Marcolin SpA are responsible for preparing a report on operations of the Marcolin Group as of 31 December 2021, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Marcolin Group as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Marcolin Group as of 31 December 2021 and is prepared in compliance with the law.
With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 7 April 2022

PricewaterhouseCoopers SpA

*Signed by*

Filippo Zagagnin
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

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# FINANCIAL STATEMENTS OF MARCOLIN S.P.A. TO 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION
INCOME STATEMENT
STATEMENT OF COMPREHENSIVE INCOME
STATEMENT OF CHANGES IN EQUITY
CASH FLOW STATEMENT

# STATEMENT OF FINANCIAL POSITION

| (euro) | Notes | 12/31/2021 | 12/31/2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 1 | 26,917,512 | 27,073,592 |
| Intangible assets | 2 | 23,059,426 | 23,830,137 |
| Goodwill | 2 | 186,226,529 | 186,226,529 |
| Investments in subsidiaries and associates | 3 | 140,336,608 | 172,759,368 |
| Deferred tax assets | 27 | 12,179,900 | 11,922,373 |
| Other non-current assets | 4 | 618,056 | 36,081 |
| Non-current financial assets | 5 | 57,415,076 | 53,795,418 |
| **Total non-current assets** | | **446,753,107** | **475,643,499** |
| **CURRENT ASSETS** | | | |
| Inventories | 6 | 55,074,712 | 61,560,905 |
| Trade receivables | 7 | 66,848,000 | 50,093,880 |
| Other current assets | 8 | 13,360,689 | 15,825,662 |
| Current financial assets | 9 | 37,452,235 | 70,747,324 |
| Cash and cash equivalents | 10 | 213,425,328 | 39,199,777 |
| **Total current assets** | | **386,160,964** | **237,427,548** |
| **TOTAL ASSETS** | | **832,914,071** | **713,071,047** |
| **EQUITY** | 11 | | |
| Share capital | | 35,902,750 | 35,902,750 |
| Additional paid-in capital | | 42,827,001 | 42,827,001 |
| Legal reserve | | 6,437,117 | 6,437,117 |
| Other reserves | | 46,833,650 | 46,892,213 |
| Retained earnings (losses) | | 54,606,294 | 111,634,903 |
| Profit (loss) for the period | | 106,897,967 | (26,934,948) |
| **TOTAL EQUITY** | | **293,504,780** | **216,759,037** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current financial liabilities | 12 | 372,802,726 | 329,607,671 |
| Non-current funds | 13 | 5,109,470 | 5,123,195 |
| Deferred tax liabilities | 27 | 2,807,644 | 2,657,362 |
| Other non-current liabilities | 14 | 749,103 | 163,707 |
| **Total non-current liabilities** | | **381,468,943** | **337,551,935** |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 15 | 119,874,053 | 80,087,026 |
| Current financial liabilities | 16 | 22,910,144 | 63,748,127 |
| Current funds | 17 | 3,199,003 | 4,911,960 |
| Tax liabilities | 27 | 2,321,514 | 2,924,693 |
| Other current liabilities | 18 | 9,635,634 | 7,088,267 |
| **Total current liabilities** | | **157,940,348** | **158,760,074** |
| **TOTAL LIABILITIES** | | **539,409,291** | **496,312,009** |
| **TOTAL LIABILITIES AND EQUITY** | | **832,914,071** | **713,071,047** |

# INCOME STATEMENT AND COMPREHENSIVE INCOME STATEMENT

| *(euro)* | Notes | 2021 | % | 2020 | % |
|---|---|---|---|---|---|
| Net revenues | 20 | 248,530,803 | 100.0% | 190,833,121 | 100.0% |
| Cost of sales | 21 | (149,261,730) | (60.1)% | (124,055,817) | (65.0)% |
| **GROSS PROFIT** | | **99,269,073** | **39.9%** | **66,777,304** | **35.0%** |
| Distribution and marketing expenses | 22 | (91,996,830) | (37.0)% | (67,425,554) | (35.3)% |
| General and administrative expenses | 23 | (14,624,702) | (5.9)% | (13,298,942) | (7.0)% |
| Other operating income/(expenses) | 25 | 8,289,310 | 3.3% | (3,338,946) | (1.7)% |
| Other income | 25 | 8,323,796 | 3.3% | 5,890,741 | 3.1% |
| Other expenses | 25 | (34,486) | (0.0)% | (9,229,687) | (4.8)% |
| **OPERATING INCOME – EBIT** | | **936,851** | **0.4%** | **(17,286,138)** | **(9.1)%** |
| Income/(expenses) from investments in subsidiaries | 26 | 119,615,702 | 48.1% | 285,883 | 0.1% |
| Financial income | 27 | 16,442,974 | 6.6% | 8,243,601 | 4.3% |
| Financial costs | 27 | (27,665,726) | (11.1)% | (26,888,242) | (14.1)% |
| **PROFIT (LOSS) BEFORE TAXES** | | **109,329,801** | **44.0%** | **(35,644,896)** | **(14.3)%** |
| Income tax expense | 28 | (2,431,834) | (1.0)% | 8,709,948 | 4.6% |
| **NET PROFIT (LOSS) FOR THE PERIOD** | | **106,897,967** | **43.0%** | **(26,934,948)** | **(10.8)%** |

| *(euro)* | 2021 | 2020 |
|---|---|---|
| **NET PROFIT (LOSS) FOR THE PERIOD** | **106,897,967** | **(26,934,948)** |
| Other items that will be not subsequently reclassified to profit or loss: | | |
| Effect (actuarial gain/losses) on defined benefit plans, net of taxes | (58,563) | (1,171) |
| **TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **(58,563)** | **(1,171)** |
| Other items that will be subsequently reclassified to profit or loss: | | |
| - Hedge accounting effect (cash flow hedge) of derivatives, net of fiscal effect | - | - |
| **TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS** | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **106,839,404** | **(26,936,119)** |

# STATEMENT OF CHANGES IN EQUITY

| *(euro)* | Share capital | Additional paid-in capital | Legal Reserve | Other reserves: S.holders deposit in s/capital | Other reserves: Other | Other reserves: Actuarial gain / (loss) reserve | Other reserves: Retained earnings/ (losses) | Profit (loss) for the period | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2019** | **35,902,750** | **42,827,001** | **5,482,883** | **46,107,590** | **1,389,819** | **(604,025)** | **93,504,458** | **19,084,680** | **243,695,158** |
| Allocation of 2019 profit | - | - | 954,234 | - | - | | 18,130,446 | (19,084,680) | - |
| *- Period result* | - | - | - | - | - | - | - | *(26,934,948)* | (26,934,948) |
| *- Other components of comprehensive income* | - | - | - | - | - | *(1,171)* | - | - | (1,171) |
| Total comprehensive income | - | - | - | - | - | (1,171) | - | (26,934,948) | (26,936,119) |
| **December 31, 2020** | **35,902,750** | **42,827,001** | **6,437,117** | **46,107,590** | **1,389,819** | **(605,196)** | **111,634,903** | **(26,934,948)** | **216,759,037** |
| Allocation of 2020 loss | - | - | - | - | - | - | (26,934,948) | 26,934,948 | - |
| Owns shares purchase and cancellation | - | - | - | - | - | - | (30,093,661) | - | (30,093,661) |
| - Period result | - | - | - | - | - | - | - | *106,897,967* | *106,897,967* |
| - Other components of comprehensive income | - | - | - | - | - | *(58,563)* | - | - | (58,563) |
| Total comprehensive income | - | - | - | - | - | *(58,563)* | - | 106,897,967 | 106,839,404 |
| **December 31, 2021** | **35,902,750** | **42,827,001** | **6,437,117** | **46,107,590** | **1,389,819** | **(663,759)** | **54,606,294** | **106,897,967** | **293,504,780** |

# CASH FLOW STATEMENT

| (euro) | Note | 12/31/2021 | 12/31/2020 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| *Profit (loss) for the period* | | 106,897,967 | (26,934,948) |
| Depreciation and amortization | 1.2 | 15,432,922 | 15,127,312 |
| Provisions | 13.17 | (457,626) | 7,815,245 |
| Income tax expense | 27 | 2,294,834 | (9,192,948) |
| Accrued interest expense | 26 | 11,222,753 | 18,643,863 |
| Adjustments to other non-cash items | | (119,625,176) | (341,429) |
| *Cash generated by operations* | | *15,765,674* | *5,117,095* |
| *Cash generated by change in operating working capital* | | *25,362,219* | *(2,139,775)* |
| (Increase) decrease in other assets | 4.8 | 5,736,472 | (5,919,809) |
| (Decrease)/increase in other liabilities | 14.18 | 2,026,762 | (7,429,961) |
| (Use) of current and non-current provisions | 13.17 | (779,000) | (555,000) |
| (Decrease)/increase in current tax liabilities | 27 | (5,053,772) | 7,068,453 |
| *Other elements in working capital* | | *1,930,462* | *(6,836,318)* |
| Interest received | | 6,074,361 | 5,152,767 |
| Interest paid | | (18,454,000) | (13,545,000) |
| *Total cash generated by change in other items of net working capital* | | *(10,449,176)* | *(15,228,551)* |
| *Net cash from /(used in) net working capital* | | 14,913,043 | (17,368,326) |
| **Net cash from /(used in) operating activities** | | **30,678,717** | **(12,251,231)** |
| **INVESTING ACTIVITIES** | | | |
| (Purchase) of property, plant and equipment | 1 | (5,885,754) | (4,463,860) |
| Disposal of property, plant and equipment | 1 | 9,778 | 55,546 |
| (Investments) in intangible assets | 2 | (5,010,774) | (3,949,495) |
| Net (Investments)/disposal in investment in subsidiaries and associates | 3 | 158,000,000 | (27,545) |
| **Net cash from /(used in) investing activities** | | **147,113,250** | **(8,385,354)** |
| **FINANCING ACTIVITIES** | | | |
| *Financial Assets* | | | |
| - (Proceeds) | | (4,900,000) | (35,902,000) |
| - Repayments | 5,9 | 35,946,000 | - |
| *Financial Loans from banks* | | | |
| - Proceeds | 12.16 | 350,000,000 | 52,000,000 |
| - (Repayments) | 12.16 | (344,961,000) | (2,691,000) |
| Shareholders Loan | 12.16 | - | 25,000,000 |
| Principal elements of lease payments | | (1,100,682) | (2,164,538) |
| *Other current and non current financial liabilities* | 5,9,12,16 | *(5,317,064)* | *1,161,220* |
| Dividends cash in | 11 | 831,000 | 1,310,000 |
| Transactions with non-controlling interests | | (3,634,000) | - |
| Changes on Reserves | Mov. PN | (58,000) | - |
| Owns shares purchase and cancellation | Mov. PN | (30,093,661) | - |
| **Net cash from /(used in) financing activities** | | **(3,287,407)** | **38,713,682** |
| **Net increase/(decrease) in cash and cash equivalents** | | **174,504,560** | **18,077,098** |
| Effect of foreign exchange rate changes | | (279,000) | (451,000) |
| **Cash and cash equivalents at beginning of year** | | **39,199,777** | **21,573,680** |
| **Cash and cash equivalents at end of year** | | **213,425,328** | **39,199,777** |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF MARCOLIN S.P.A. AT 31 DECEMBER 2021

## *Introduction*

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no express par value.

As of 31 December 2021, the share capital is 100% owned by the shareholder 3 Cime S.p.A.

The shares of Marcolin S.p.A. held by the shareholder 3 Cime S.p.A. are encumbered by pledge rights agreed at the time of the issue of a bond loan on 27 May 2021, backed by collateral for the exact fulfilment of the financial obligations undertaken towards the bulk of the holders of the bonds covered by the loan, including a lien on the shares of the Issuer Marcolin.

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## *General Information*

The following notes form an integral part of the separate financial statements of Marcolin S.p.A. as at 31 December 2021, and have been prepared in accordance with the accounting records updated to 31 December 2021.

For the purpose of providing exhaustive financial information, the Report on the Operations has been prepared, which contains additional information regarding the main events of the year, subsequent events, business outlook and other important financial and operational information of the business.

The Financial Statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, except for the measurement of financial assets and liabilities, which are required to be accounted for at fair value (and except for some revaluations performed in previous periods).

Marcolin S.p.A. is incorporated under Italian law, listed in the Companies Register of Belluno with no. 01774690273, and has shares that until 14 February 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange) organised and managed by Borsa Italiana S.p.A.

Marcolin S.p.A. is the Parent Company of Marcolin Group, which operates in Italy and abroad in the design, manufacturing and distribution of eyeglass frames and sunglasses, including through direct and indirect management of business affiliates located in major countries of interest worldwide and qualified contract manufacturers.

The addresses of the locations from which the Company's main operations are performed are listed in the Report on Operations.

Pursuant to Article 2497-*bis*, paragraph 4 of the Italian Civil Code, we note that Marcolin S.p.A. is not subject to management and coordination activities by any entity.

Lastly, it should be noted that the Financial Statements were authorised for publication by the Board of Directors on 17 March 2022.

# ACCOUNTING STANDARDS

## *Basis of preparation*

The Financial Statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and approved by the European Union.
The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), the former Standing Interpretations Committee ("SIC"), which, at the date of approval of the Financial Statements, had been authorised by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on 19 July 2002.

The accounting policies adopted for the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the previous year, except for the adoption of the following new or revised IFRSs or IFRICs.

The Financial Statements of Marcolin S.p.A. for the year ended 31 December 2021, approved by the Company's Board of Directors on 17 March 2022, were prepared on a going concern basis.

A description of the methods used by Marcolin S.p.A. to manage financial risks can be found in the section on “financial risk factors” in the Company's Notes to the Financial Statements.

## *New accounting standards and interpretations endorsed by the European Union and effective from 1 January 2021*

The following new standards and amendments became effective on 1 January 2021:

*Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*
Approved by the European Union on 30 August 2021 through Regulation No. 2021/1421

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*
Approved by the European Union on 13 January 2021 by means of Regulation No. 2021/25

*Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19*
Approved by the European Union on 15 December 2020 through Regulation No. 2020/2097

## *New accounting standards and interpretations approved by the European Union and effective for periods after 31 December 2021*

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*
Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

*Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates.*
Approved by the European Union on 2 March 2022, it will enter into force on 1 January 2023.

*IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17*
Approved by the European Union on 19 November 2021, it will enter into force on 1 January 2023.

There are no additional accounting standards endorsed by the European Union and effective for financial years subsequent to 31 December 2021 that are expected to have a significant impact on the company in the following financial year or in the foreseeable future.

### *New accounting standards and interpretations published by the IASB but not yet approved by the European Union*

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, not yet approved by the European Union as at the date of approval of this document, are set forth below:

*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date.* Issued on 23 January 2020 and 15 July 2020 respectively, they will become effective on 1 January 2023

*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.* Issued on 7 May 2021, it will come into force on 1 January 2023

*Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information* Issued on 9 December 2021, it will come into force on 1 January 2023

It should be noted that no accounting standards and/or interpretations have been applied in advance, the application of which would be mandatory for periods beginning after 31 December 2021.

The Company is evaluating the effects of the application of the above new standards, which are currently not considered significant.

### *Financial statement format*

The Company adopted the following formats for the Financial Statements.

In summary:

- In the Statement of Financial Position, current and non-current assets and current and non-current liabilities are classified separately. Current assets are those intended to be realised, sold or consumed in the Company's normal operating cycle; current liabilities are those expected to be settled either in the Company's normal operating cycle or within twelve months from the end of the reporting period;
- in the Income Statement, costs are classified by function;
- the Statement of Comprehensive Income is presented separately from the Income Statement, and the individual items are stated in compliance with *Revised* IAS 1;
- the indirect method is used for the Statement of Cash Flows, with presentation of cash flows from operating, investing and financing activities;
- the Statement of Changes in Equity presents separately the profit/(loss) for the year and all revenues and expenses not recognised in profit or loss, but recognised directly in equity on the basis of specific IAS/IFRS accounting standards and presents separately transactions with Shareholders.

To provide for comparability, the previous period data was restated as necessary, with explanations given of the restatements.

The significant accounting policies adopted to prepare the Separate Financial Statements of Marcolin S.p.A. are as follows:

***Property, plant and equipment (also "tangible assets")***
Property, plant and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the *deemed cost* model was used on the transition date or *business combination* date based on the market value determined through an appraisal performed by an independent qualified appraiser.
They are stated net of depreciation, except for land, which is not depreciated, and net of any impairment losses.
Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalised to the extent that they can be separately classified as an asset or part of an asset.
The carrying amount is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.
If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.
Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.
Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalising them.
Assets acquired under a *leasing* contract are accounted for as finance leases in accordance with IFRS16 and classified within property, plant and equipment as an offsetting entry to the financial debt generated. For more details on the application of IFRS 16 and its effects, please refer to the relevant section of this document.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, using the depreciation rates listed below:

| Category | Depreciation Rate |
|---|---|
| Land and Buildings | 3% |
| Non-operating machinery | 10% |
| Depreciable equipment | 40% |
| Operating machinery | 15.50% |
| Office furniture and furnishings | 12% |
| Exhibition stands | 27% |
| Electronic machines | 20% |
| Vehicles | 25% |
| Trucks | 20% |

### *Intangible assets*
Intangible assets consist of controllable, non-monetary assets without physical substance that are clearly identifiable and able to generate future economic benefits. These assets are recognised at purchase and/or production cost, inclusive of directly attributable expenses to bring the asset to working condition for its intended use, net of accumulated amortisation (except for those assets with an indefinite useful life) and any impairment losses. Amortisation commences when the asset is available for use and is systematically distributed over the asset's useful life.
If there is any indication that the assets have suffered an impairment loss, the recoverable amount of the asset is estimated and any impairment loss is recognised in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised, recognising the reversal of the impairment loss as income.

### *Goodwill*
Goodwill is recognised at cost less any impairment losses. Goodwill acquired in a business combination is represented by the excess of the cost of the combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.
Goodwill is not amortised, but it is reviewed for impairment annually, and whenever events or circumstances give rise to the possibility of an impairment loss, the recoverable amount is reviewed in accordance with IAS 36 ("Impairment of Assets"). If the recoverable amount is less than its carrying amount, goodwill is reduced to its recoverable amount. If goodwill has been allocated to a cash-generating unit that is partially disposed of, the goodwill associated with the unit disposed of is included in the determination of any gain or loss on disposal.

### *Trademarks and licenses*
Trademarks and licenses are recognised at cost. They have a finite useful life and are recognised at cost net of accumulated amortisation. Amortisation is calculated on a straight-line basis so as to allocate the cost of trademarks and licenses over their remaining useful lives.
If, aside from amortisation, *impairment* should emerge, the asset is written down accordingly; if the reasons for the writedown should cease to exist in future financial years, the carrying amount of the asset is increased to the net carrying amount that the asset would have had if there had been no impairment loss and if the asset had been amortised.
Trademarks are amortised on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

### *Software*
Software licenses acquired are capitalised on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortisation is calculated on a straight-line basis over their estimated useful lives (ranging from 3 to 5 years). Costs associated with software development and maintenance are recognised as costs in the period they are incurred.
The direct costs include the costs for the personnel to develop the software.

### *Research & development costs*
Research and development costs for new products and/or processes are recognised as an expense as incurred unless they meet the conditions for capitalisation under IAS 38.

### *Other intangible assets*
The intangible assets also include renewal fees paid in some cases to licensors for the renewal of licensing agreements.
Other intangible assets also include certain internal costs incurred by the Company to develop new eyewear models; the amortisation period, equal to the average life of a model on the market, commences when the related models are put on the market.

### *Impairment of property, plant and equipment, and intangible assets*
IAS 36 requires *impairment* testing of tangible and intangible assets when there is any indication that those assets have suffered an impairment loss. For intangible assets with an indefinite life, such as goodwill, testing for impairment is performed at least annually. The recoverable amount is determined by comparing the carrying amount of the asset with its fair value less costs to sell and value in use, whichever is greater. Value in use is determined on the basis of the present value of estimated future cash flows from operating activities. For purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (*cash-generating units*). If an asset's recoverable value is less than its carrying amount, the carrying amount is reduced to its recoverable value. This reduction is an impairment loss that is recognised as an expense immediately. If there are indications that an impairment loss should be reversed, the recoverable amount of the asset is recalculated and the carrying amount is increased to that new value. The increased carrying amount must not exceed the net carrying amount the asset would have had without any impairment loss. An impairment loss with respect to goodwill may not be reversed.

### *Investments in subsidiaries and associates*
Investments in subsidiaries, associates and joint ventures are valued at acquisition cost net of any impairment losses.
If the reasons for writedowns made no longer apply, the equity investments are revalued to the extent of such writedowns. Investments are subject to *impairment testing,* if indicators of *impairment* are identified. If there is evidence that these investments have suffered an impairment loss, this is recognised in the income statement as an impairment loss. If the Company's share in any losses of a subsidiary or associate exceeds the carrying amount of the investment, and the Company has the obligation or intention to cover such losses, the value of the investment is written off and the Company's portion of further losses is recognised as a provision under liabilities. If the loss in value is subsequently reversed or reduced, the impairment loss is likewise reversed up to an amount not exceeding cost. When significant influence over an associate or joint venture is lost, the Company measures and discloses the retained investment at its fair value. The difference between the carrying amount of the investment on the date on which the significant influence or common control is lost and the fair value of the retained investment and the consideration received is recognised in the Income Statement.

### *Financial derivatives*
Financial derivatives are recognised in accordance with IFRS 9. On the contract stipulation date, the derivatives are initially accounted for at fair value as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. If hedge accounting cannot be applied, the changes in the fair value after initial recognition are recognised through profit or loss.

### *Fair value measurement*
The Company measures financial instruments (derivatives) at their fair values at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

- in the principal market for the asset or liability;
- or, in absence of a principal market, the most advantageous market for the asset or liability.

The principal market or most advantageous market must be accessible to the Company. The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest.

Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.
The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorised into the following levels of the fair value hierarchy:
• Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
• Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
• Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

The fair value measurement is categorised entirely in the same level of the fair value hierarchy of the lowest level input used for measurement.

For recurring assets and liabilities, the Company determines whether there have been any transfers between levels of the fair value hierarchy and reviews the categorisation (based on the lowest level input that is significant to the entire measurement) at the end of each reporting period.

### *Inventories*
Inventories are stated at the lower of average purchase or production cost and the corresponding estimated realisable value based on market prices. Estimated realisable value represents the estimated selling price in normal market conditions less all direct selling costs.
Purchase cost was adopted for products purchased for resale and for materials directly or indirectly used, purchased and used in the production process, whereas production cost was adopted for finished and semi-finished products.
Purchase cost is determined on the basis of the cost actually incurred, inclusive of directly attributable ancillary costs, including transport and customs expenses and excluding trade discounts.
Production cost includes the cost of materials used, as defined above, and all directly and indirectly attributable manufacturing costs.
Obsolete and slow-moving inventories are written down to reflect their useful life or realisable value.

### *Trade and other receivables*
Trade and other receivables are stated at amortised cost and are measured on the basis of the impairment model introduced by IFRS 9 (see paragraph on financial assets regarding the initial recognition). In accordance with this model, the Company measures receivables using a logic of expected losses, replacing the IAS 39 framework based on incurred losses. The Company has adopted the simplified approach for trade receivables, which, instead of recognising the periodic changes in credit risk, requires accounting for an expected credit loss ("ECL") calculated over the lifetime of the receivable ("lifetime ECL"). The amount of the receivables is shown in the Statement of Financial Position net of the related provisions for doubtful debts. Impairment losses calculated under IFRS 9 are recognised in the Income Statement net of any positive effects relating to releases or reversals and are presented in the line for net writedowns of financial assets within the general and administration expenses.

### *Financial assets – Loans and receivables*
The financial assets are classified on the basis of the business model adopted to manage them and of their cash flows. The following categories were identified:

a. Financial assets measured at amortised cost

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is to hold assets to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. They concern trade receivables, loans and other receivables. Loan and other receivables are included with current assets, except those whose contractual collection date is after twelve months from the reporting date, which are classified as non-current assets. The loan and other receivables are classified in the Statement of Financial Position as trade and other receivables. Except for trade receivables that do not contain a significant financing component, the loan and other receivables are initially recognised at their fair value adjusted by directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price (determined in accordance with IFRS 15 Revenue from Contracts with Customers). After initial recognition, the assets belonging to such category are measured at amortised cost, using the effective interest rate. The effects of such measurement are recognised in profit and loss. The assets are also subject to the impairment model described in the foregoing section on trade and other receivables.

b. Fair Value through Other Comprehensive Income (“FVOCI”)

This category covers financial assets meeting the following requisites: (i) the asset is held under a business model whose objective is met both collecting contractual cash flows and selling these assets; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount outstanding. The assets are initially recognised at their fair value adjusted by directly attributable transaction costs. The initial recognition is later updated and any changes in fair value are recognised in Other Comprehensive Income ("OCI"). As in the previous category, the assets are subject to the impairment model described in the section on trade and other receivables.

c. Fair Value through Profit and Loss (“FVPL”)

Financial assets that do not fall within the preceding categories are classified in this residual category. These are mainly derivatives and equity instruments, both listed and not listed on financial markets, that the Company has irrevocably decided to classify as FVOCI upon initial recognition or in transitioning. The assets belonging to this category are classified as current assets or non-current assets according to when they are due, and they are stated at fair value at initial recognition. Investments in unconsolidated companies over which the Company does not have significant influence are included in this category and accounted for as investments in subsidiaries and associates. Related costs incurred at initial recognition of the asset are accounted for immediately in the Income Statement. FVPL financial assets are subsequently measured at fair value. Profits and losses deriving from changes in fair value are recognised in the Income Statement as they arise, within the net other income/(expenses). Purchases and sales of financial assets are accounted for on the settlement date. Financial assets are derecognised when the rights to receive cash flows deriving from the instrument are extinguished and the Company has transferred substantially all the risks and rewards of ownership and control of the asset. The fair value of financial instruments is based on the current price offered. If the market for a financial asset is not active (or the asset consists of unlisted securities), the Company determines fair value by using valuation techniques. The techniques include referring to advanced negotiations in progress, referring to securities having the same characteristics, analysis based on cash flows, and pricing models based on the use of market indicators and aligned, as much as possible, with the asset being measured. In the valuation process, the Company tends to use market information instead of internal information referring specifically to the nature of the business in which the Company operates.

### *Cash and bank balances*

Cash and bank balances include cash, demand deposits at banks and other highly liquid short-term investments, i.e., with an original duration of up to three months, and are stated at the amounts actually on hand at the reporting date.

### *Assets held for sale and related liabilities*

These items include non-current assets (or disposal groups of assets and liabilities) whose carrying amount will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognised at their net carrying amount or fair value less costs to sell, whichever is less.
If these assets (or disposal groups) should cease to be classified as assets held for sale, the amounts are not reclassified or presented for comparative purposes with the classification in the most recent Statement of Financial Position.

## Equity

### *Share capital*

Share capital consists of the subscribed and paid-up capital.
Direct issue costs of new share issues are classified as a direct reduction of equity after deferred taxes.

### *Treasury shares*

Treasury shares are shown as a deduction of equity. The original cost of treasury shares and revenues arising on subsequent sale are recognised as changes in equity.
The nominal value of the treasury shares owned is directly deducted from share capital, while the value exceeding the nominal value is used to reduce the treasury share reserve included in the retained earnings/(losses) reserves.

### *Employee benefits*

Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.
Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial

assumptions and is recognised on an accruals basis in line with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.
The severance indemnity and aforementioned pension fund benefits accrued in the year, determined by applying actuarial methodology, are recognised in the income statement with the personnel costs, whereas the notional interest cost is recognised in net financial income/(costs). Actuarial losses from changes in actuarial assumptions are recognised directly in the equity of the year they emerge, in accordance with Revised IAS 19, effective from 1 January 2013.
On 1 January 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by 30 June 2007, how to allocate his or her accruing benefits. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case, the company will pay the severance pay contributions into a treasury account held at the INPS).
Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from 30 June 2007, are considered a defined contribution plan, meaning the accounting treatment is similar to that in effect for all other contribution payments.

### *Provisions for risks and charges*

Provisions for risks and charges consist of allowances for present obligations (either legal or constructive) toward third parties that arise from past events, the settlement of which will probably require an outflow of financial resources and the amount of which can be estimated reliably.
Provisions are stated at the discounted best estimate of the amount the company should pay to settle the obligation or to transfer it to third parties as at the reporting date.
Changes in estimates are reflected in the income statement of the period in which the change occurs.
Risks for which the emergence of a liability is merely possible are identified in the section relating to commitments and guarantees, without making any allowances for them.

### *Trade payables and other non-financial liabilities*

This item refers to payables originating from the purchase of goods or services that have not been settled by the end of the reporting period. They are not usually covered by guarantees and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

### *Financial liabilities*

Borrowings (loans) are initially recognised at cost, corresponding to the fair value of the liability less their transaction costs. They are subsequently measured at amortised cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognised in the income statement over the life of the loan, using the effective interest method. If there is a change in the anticipated cash flows and management is able to estimate them reliably, the value of borrowings is recalculated to reflect such changes.
Loans are classified among current liabilities if they mature in less than 12 months from the end of the reporting period and if the Company does not have an unconditional right to defer their payment for at least 12 months.
Loans are derecognised when they are paid off or when all risks and costs associated with them have been transferred to third parties.

### *Revenues and income*

In accordance with the five-step model introduced by IFRS 15, the Company recognises revenue after identifying the contracts with its customers and the performance obligations in the contract (transfer of goods and/or services), determining the amount of consideration to which it is entitled in exchange for satisfying each of the performance obligations, and evaluating how the performance obligations were satisfied (at a point in time or over time). The Company recognises revenues only when all the following requirements have been met (requirements for identifying the contract(s) with the customer): a) the parties to the contact have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations; therefore, an agreement exists that creates the rights and obligations regardless of the form of such agreement; b) the Company can identify each party's rights in relation to the goods or services to be transferred; c) the Company can identify the payment terms of the goods or services to be transferred; d) the contract has commercial substance; and e) it is probable that the Company will collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. If the above criteria are not met, the related revenues are recognised when: (i) the Company has already transferred goods and/or services to the customer and all, or substantially all, of the promised consideration has been received and is non-refundable; or (ii) the contract is terminated and the consideration that the Company has received from the customer is non-refundable.
If the above criteria are met, the sales revenues are recognised when the control of the good sold is transferred to the customer, or when the good is delivered to the customer under the terms of the contract and the customer acquires the full ability to direct the use of it and obtain substantially all of the remaining benefits from it. When the sale contract provides for retrospective volume discounts, the Company estimates their effect and treats it as a

variable component of the agreed consideration. The Company also estimates the effect of possible returns from customers. This effect is accounted for as a variable component of the contractual consideration with the contextual presentation of a refund liability among the short-term risk provisions and the corresponding return asset among other current assets in the Statement of Financial Position. The estimate is based on the right-of-return policies and practices adopted by the Company and past trends of sales returns. The variable components of the consideration (discounts and returns) are recognised in the Financial Statements only when it is highly probable that a significant adjustment to the amount of revenue recognised will not occur. No post-delivery obligations exist besides the product warranties, where required by local regulations; the warranties do not constitute a separate service and they are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.
Dividends are recognised when the shareholder’s rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

### *Cost of sales*
The cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing and expenses directly associated with production. It also includes the depreciation of buildings, plant and equipment, the amortisation of the intangible assets used in production and inventory impairment losses.

### *Royalties*
The Company accounts for royalty expense on an accrual basis according to the substance of the agreements stipulated.

### *Other costs*
The costs are recognised according to the relevance and matching principles.

### *Financial income and costs*
Interest is accounted for according to the accrual concept on the basis of the interest rate established by contract. If not established by contract, interest is recognised using the effective interest method, i.e., using the interest rate that makes all inflows and outflows of a specific transaction financially equivalent.

### *Translation of foreign currency amounts*
Transactions in currency other than the euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realised in the period are recognised in the Income Statement. Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognising the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

### *Income taxes*
Income taxes are stated in the Income Statement, except for those regarding items recognised directly in equity, for which the tax effect is also recognised directly in equity.
Deferred taxes are calculated on the temporary differences generated between the value of the assets and liabilities reported in the Financial Statements and the value attributed to those assets and liabilities for tax purposes.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.
Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, as necessary, is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reductions are reversed if the conditions causing them should cease to exist.
Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the assets are realised or the liabilities are settled, considering the tax rates in force and those that have been enacted or substantially enacted by the reporting date.
Other taxes not relating to income, such as property and equity taxes, are included in the operating items.

### *Italian tax consolidation*
The Company acts as a consolidated entity in the group taxation regime under Presidential Decree 917, Article 117 et seq. of 22 December 1986 (Italian Tax Code or "TUIR"), which allows the determination of one single corporate income tax (IRES) tax base given by the algebraic sum of the taxable income and tax losses of each of the participating entities, together with the ultimate parent company, 3 Cime S.p.A., which acts as the consolidating entity.

Participation in the Italian tax consolidation regime enables each participant (including the Company) to optimise the financial management of IRES, for example by netting the taxable income and tax losses of each participant within the tax group.
Effective from 2017, Decree Law 193/2016, Article 7-quater introduced the automatic renewal of the options to participate in the aforementioned tax regime; accordingly, the three-year participation in the tax regime was renewed automatically in 2020.
The tax consolidation transactions are summarised below:

- in years with taxable income, the Company pays 3 Cime S.p.A. the additional tax due by it to the tax authorities;
- in the event of negative taxable income (tax loss), the Company receives from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realised, accounted for on an accrual basis;
- the amount is paid only when 3 Cime S.p.A. actually uses the tax loss brought to the consolidation;
- if 3 Cime S.p.A. and the Company do not renew the tax consolidation option, or if the requirements for the continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

# FINANCIAL RISK FACTORS

### *Market and currency risks*

Marcolin S.p.A. operates in various markets throughout the world and is therefore exposed to risks associated with fluctuations of foreign exchange rates and interest rates.
The exposure to exchange rate risks is due to the different geographical distribution of its production and commercial activities. The Company is primarily exposed to fluctuations of the U.S. dollar on supplies received from Asia and on sales conducted in U.S. dollars, and to a lesser extent to fluctuations of the British pound sterling.

Although fluctuations of foreign exchange rates could affect the Company's profit or loss, the structure of revenues and expenses in foreign currency is considered to enable the maintaining of a natural hedge against the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of costs in foreign currency.
In the past, the Company used currency hedges (foreign exchange forward contracts), which were no longer stipulated in 2016 due to the natural hedge from which the Company benefits as a result of the current structure of revenues and expenses in foreign currency.

With respect to transaction risk, according to the *sensitivity analysis* performed, a change in exchange rates should not significantly impact the Company's separate Financial Statements, thanks to the previously described situation.

### *Interest rate risk*

The Report on Operations provides details on Marcolin S.p.A.'s interest rate risk.
The section on liquidity risk provides a quantitative analysis of the Company's exposure to cash flow risk relating to interest rates on loans.
Information on outstanding loans is provided subsequently in these notes.

### *Interest rate sensitivity analysis*

A *sensitivity analysis* on the interest rate was carried out, assuming an upward shift of +25 *basis points* and a downward shift of -10 *basis points* in the *Euribor/Swap* Eur interest rate curve, published by *Reuters* for 31 December 2021. In this manner, the Company determined the impact that such changes would have had on the income statement and on equity.
The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.
The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.
For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.
The 350 million euro bond signed in May 2021 was also excluded from the above analysis as it has a fixed interest rate of 6.125%.

According *to the sensitivity analysis* performed on the basis of the above criteria, the Company is exposed to interest rate risk on its expected cash flows. In the event of an increase in interest rates of +25 *basis points*, the positive effect on the income statement would be approximately 512 thousand euro due to the higher incidence of financial income on *intercompany* loans and current account balances compared to interest expense related to bank debt and third parties.
If interest rates had fallen by -10 *basis points*, there would have been a negative impact of 205 thousand euro on the income statement.

### *Credit risk*

The Company does not have a significant concentration of credit risk. Receivables are recognised net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.
Guidelines and internal policies have been implemented for managing customer credit, supervised by the designated business function (*Credit Management*), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit exposure ceilings (according to creditworthiness).

The table below shows the breakdown of trade receivables and other current assets excluding the provision for returns for the main areas in which the Company operates in order to assess the risk by country. The section on accounting standards provides additional information thereon.

| **Trade receivables by geographical area and other current assets** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 25,022 | 23,887 |
| Rest of Europe | 16,915 | 12,215 |
| North America | 11,522 | 10,164 |
| Rest of  Word | 25,151 | 18,263 |
| **Total** | **78,611** | **64,530** |

Trade receivables not past-due are set forth below, categorised by geographical area (IFRS 7):

| **Trade receivables not overdue by geographical area** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 13,272 | 8,010 |
| Rest of Europe | 15,035 | 11,043 |
| North America | 11,115 | 9,789 |
| Rest of  Word | 17,001 | 9,927 |
| **Total** | **56,424** | **38,769** |

In compliance with IFRS 7, the following table provides an ageing analysis of the undisputed trade receivables:

| Ageing analysis of trade receivables not protested (euro/000) | Gross value | Provision | Net value |
|---|---|---|---|
| **12/31/2020** | | | |
| Not past due | 38,769 | (368) | 38,401 |
| Past due by less than 3 months | 3,134 | (196) | 2,938 |
| Past due by 3 to 6 months | 664 | 0 | 664 |
| Past due by more than 6 months | 9,352 | (1,308) | 8,044 |
| **Total** | **51,920** | **(1,872)** | **50,048** |
| **12/31/2021** | | | |
| Not past due | 56,424 | (545) | 55,879 |
| Past due by less than 3 months | 4,891 | (831) | 4,059 |
| Past due by 3 to 6 months | 536 | 0 | 536 |
| Past due by more than 6 months | 6,351 | 0 | 6,351 |
| **Total** | **68,202** | **(1,377)** | **66,825** |

In some markets in which Marcolin S.p.A. operates, receivables are regularly collected after the date stipulated by contract, without this necessarily indicating collection issues or financial difficulties.
Consequently, there are trade receivable balances that were not considered impaired, even though they were past due.

These trade receivables are set forth in the table below, by past-due category.

| Trade receivables overdue but not impaired (euro/000) | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Past due less than 3 months | 948 | 784 |
| Past due more than 3 months | 0 | 562 |
| **Total** | **948** | **1,346** |

For the sake of exhaustive disclosure, an ageing analysis of disputed receivables and the related writedowns is set forth below.

| Ageing analysis of trade receivables protested (euro/000) | Gross value | Provision | Net value |
|---|---|---|---|
| **12/31/2020** | | | |
| Past due by more than 12 months | 2,061 | (2,015) | 46 |
| **Total** | **2,061** | **(2,015)** | **46** |
| **12/31/2021** | | | |
| Past due by more than 12 months | 2,105 | (2,082) | 23 |
| **Total** | **2,105** | **(2,082)** | **23** |

Some trade receivables are covered by the types of guarantees typically used for sales on international markets.

The changes in the provision for doubtful debts are set forth below:

| Provision for doubtful debts (euro/000) | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Opening amount | 3,887 | 4,775 |
| Provisions/Reversal on P&L | (234) | (850) |
| Use | (195) | (39) |
| **Period end Total** | **3,458** | **3,887** |

In accordance with IFRS 9, the expected losses on trade receivables were estimated upon initial recognition of the receivable and over its lifetime (lifetime expected credit loss). As allowed by the standard, a matrix was used to estimate the expected credit losses that took into account the geographical source of the receivable and the type of customer. The matrix considers different loss percentages according to the ageing category of the receivables. The expected loss percentage rises when the receivable seniority rises.

## *Liquidity risk*

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.
Due to the dynamic nature of the *businesses* in which it operates, the Company has always favoured flexibility in raising funds through the use of credit lines. Since May 2021, as already mentioned in the Report on Operations, a revolving credit line with a nominal value of 46 million euro (RCF) has been in place to meet temporary treasury needs. As part of the liquidity support measures, 3 Cime S.p.A., the majority shareholder of Marcolin S.p.A., disbursed on 24 June 2020 a 25 million euro subordinated shareholder loan maturing in December 2025, which accrues interest repayable at maturity. The loan is structured as *equity credit*. At present, based on its available sources of funding and credit facilities, the Company considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. See also the Annual Financial Report of Marcolin S.p.A.

### *Liquidity analysis*

Liquidity analysis was performed on loans and trade payables. Borrowings were specified by time bracket for principal repayments and non-discounted interest. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.
None of the cash flows included in the following table were discounted.

| *(euro/000)* | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Loans and bonds (excluding capital lease) | 21,116 | 342 | 370,150 | - | 386,506 |
| Interest expenses on loans, bonds, leasing | 22,029 | 43,522 | 48,435 | 17 | 5,102 |
| Capital lease | 1,794 | 1,799 | 512 | - | 4,105 |
| Trade payables | 119,874 | - | - | - | 119,874 |

# CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial instruments are reported by type in the following table (in comparison with the amounts of the previous year), in accordance with IFRS 7.
In 2020, the financial instruments were classified in accordance with IFRS 9 and IFRS 16.

| **Categories of financial assets** *(euro/000)* | **Trade receivables** | **Financial assets** | **Cash and cash equivalents** |
|---|---|---|---|
| **2021** | | | |
| Loans and other financial recivables at amortized cost | 66,848 | 94,867 | 213,425 |
| Financial assets at faie value through P&L | - | - | - |
| Held to maturity investments | - | - | - |
| Financial assets available for sale | - | - | - |
| **Total** | **66,848** | **94,867** | **213,425** |

| **Categories of financial assets** *(euro/000)* | **Trade receivables** | **Financial assets** | **Cash and cash equivalents** |
|---|---|---|---|
| **2020** | | | |
| Loans and other financial recivables at amortized cost | 50,094 | 124,543 | 39,200 |
| Financial assets at faie value through P&L | - | - | - |
| Held to maturity investments | - | - | - |
| Financial assets available for sale | - | - | - |
| **Total** | **50,094** | **124,543** | **39,200** |

| **Categories of financial liabilities** *(euro/000)* | **Trade payables** | **Financial liabilities** | **Bond** |
|---|---|---|---|
| **2021** | | | |
| Financial liabilities at amortized cost | 119,874 | 38,848 | 345,631 |
| Lease financial liabilities | - | 4,105 | - |
| **Total** | **119,874** | **42,952** | **345,631** |

| **Categories of financial liabilities** *(euro/000)* | **Trade payables** | **Financial liabilities** | **Bond** |
|---|---|---|---|
| **2020** | | | |
| Financial liabilities at amortized cost | 80,087 | 136,064 | 249,197 |
| Lease financial liabilities | - | 5,922 | - |
| **Total** | **80,087** | **141,986** | **249,197** |

# FAIR VALUE MEASUREMENT HIERARCHY

Financial instruments measured at fair value are reported on the basis of the *fair value* hierarchy, described below:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability.

# USE OF ESTIMATES

The preparation of Financial Statements requires management to make estimates that could affect the carrying amount of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.
Estimates were used mainly to determine the recoverability of intangible assets (including goodwill), the useful lives of tangible assets and any market values used to evaluate impairment, the value of investments in subsidiaries and associates, the recoverability of receivables (including deferred tax assets), the valuation of inventory and the recognition or measurement of provisions for risks and charges.
The estimates and assumptions are based on data that reflect currently available information.
Estimates and assumptions that involve a significant risk of changes in the carrying amounts of assets and liabilities are described hereunder.

### *Goodwill*
Pursuant to IAS 36, the Company performs impairment tests at least annually.
Recoverable values are calculated based on "value in use".
The calculations require using estimates of the future performance of the cash-generating units (CGUs) to which goodwill belongs (business plan forecasts), the discount rate (WAAC) and the prospective growth rate to be applied to the forecast cash flows (“g” rate).

### *Impairment of non-current assets*
When there is indication that the net carrying amount exceeds the recoverable value, non-current assets are reviewed to determine whether they have suffered an impairment loss, in accordance with the adopted accounting principles.
The recoverable value is represented by the fair value less costs to sell, or value in use, whichever is greater. Recoverable values are calculated based on their value in use. Such calculations require using estimates of future performance, the discount rate and the prospective growth rate to be applied to the forecast cash flows.
If any such indication exists, management is required to perform subjective evaluations based on information available within the Company and on the market.
If indications of impairment should exist, the Company calculates the potential impairment using the valuation techniques it considers to be the most appropriate.
Proper identification of impairment indications and estimates of potential impairment are dependent on factors that may vary over time, affecting the measurements and estimates made by management.

### *Provision for doubtful debts*
The provision for doubtful debts reflects management’s estimates of future losses on trade receivables concerning end customers. The provision for doubtful debts is calculated in accordance with IFRS 9.

### *Returns provision and product warranty provision*
The returns provision and product warranty provision reflect management's estimate of losses deriving from the customers' possibility under contact to return products sold. The product warranty provision gives the customer the possibility to return defective merchandise and receive an analogous (non-defective) product in exchange.
The returns provision is accounted for in accordance with IFRS 15, and the product warranty provision with IAS 37.

### *Provision for inventory impairment*
The provision for inventory impairment reflects management’s estimates regarding the losses expected by the Company, determined on the basis of past experience and both past and anticipated market trends.

### *Deferred tax assets*
Recognition of deferred tax assets is based on expectations of profits in future years. Estimates of future earnings used to recognise deferred taxes are dependent on factors that may vary over time and significantly affect estimates of the taxes in question.

# ANALYSIS OF MARCOLIN S.P.A. STATEMENT OF FINANCIAL POSITION

The comments and changes in the most significant items compared to the Separate Financial Statements at 31 December 2020 are detailed below (unless otherwise specified, amounts are expressed in thousands of euros).

## 1. PROPERTY, PLANT AND EQUIPMENT

The composition of and changes in the item for the past two years are set forth below:

| **Property, plant and equipment** *(euro/000)* | **Land and buildings** | **Plant and machinery** | **Industrial and commercial** | **Other PP&E** | **Assets under construction** | **Total** |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2020** | **12,336** | **8,695** | **1,878** | **4,412** | **267** | **27,589** |
| Increases | 1,548 | 1,775 | 755 | 2,270 | 270 | **6,618** |
| Decreases | (0) | (347) | (44) | (73) | - | **(465)** |
| Depreciation | (970) | (2,211) | (1,152) | (2,336) | - | **(6,669)** |
| Reclassification and other movements | - | - | 242 | - | (242) | **-** |
| **Net value at end of 2020** | **12,914** | **7,911** | **1,680** | **4,272** | **295** | **27,073** |
| **Net value at beginning of 2021** | **12,914** | **7,911** | **1,680** | **4,272** | **295** | **27,073** |
| Increases | 507 | 3,108 | 493 | 2,072 | 236 | **6,414** |
| Decreases | (10) | (1) | (2) | 33 | (28) | **(7)** |
| Depreciation | (1,130) | (2,162) | (994) | (2,277) | - | **(6,563)** |
| Reclassification and other movements | - | - | 86 | 182 | (268) | - |
| **Net value at end of 2021** | **12,281** | **8,856** | **1,262** | **4,282** | **235** | **26,917** |

The annual capital expenditures totalled 6.414 thousand euro.
In addition to the effects deriving from the application of the IFRS 16 accounting standard, which mainly characterise the increases in the category "Land and Buildings" and "Other Assets", mainly referring to the signing of lease contracts for buildings for commercial use and company cars, for the other classes of tangible fixed assets, the increases mainly concerned the following cases:

- plant and machinery purchases for 3.108 thousand euros, referring principally to the purchase of numerically controlled machining systems;
- industrial and commercial equipment for 493 thousand euro;
- *hardware and office furniture, included in other tangible assets, for 2.072 thousand euro.*

The gross value of property, plant and equipment, and the value of the related accumulated depreciation at 31 December 2021, are shown in the table below:

| **Property, plant and equipment** *(euro/000)* | **Land and buildings** | **Plant and machinery** | **Industrial and commercial** | **Other PP&E** | **Assets under construction** | **Total 12/31/2021** |
|---|---|---|---|---|---|---|
| Undepreciated value | 25,306 | 29,716 | 20,682 | 15,276 | 236 | **91,217** |
| Accumulated depreciation | (13,025) | (20,860) | (19,420) | (10,994) | - | **(64,299)** |
| **Net value** | **12,282** | **8,856** | **1,263** | **4,282** | **235** | **26,917** |

The following table presents the amounts of the previous year:

| **Property, plant and equipment** *(euro/000)* | **Land and buildings** | **Plant and machinery** | **Industrial and commercial** | **Other PP&E** | **Assets under construction** | **Total 12/31/2020** |
|---|---|---|---|---|---|---|
| Undepreciated value | 25,323 | 26,898 | 20,108 | 14,162 | 296 | **86,787** |
| Accumulated depreciation | (12,409) | (18,987) | (18,428) | (9,889) | - | **(59,713)** |
| **Net value** | **12,336** | **8,695** | **1,878** | **4,412** | **268** | **27,073** |

The following table shows the net carrying amount as at 31 December 2021 of the rights of use recognised in accordance with IFRS 16 and included within the respective asset classes to which the right of use refers:

| *€/000* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Land and buildings | 1,361 | 1,732 |
| Industrial and commercial equipment | 354 | 498 |
| Cars | 816 | 960 |
| Other tangibles fixed assets | 36 | 59 |
| **Total Right-of-use assets** | **2,566** | **3,249** |

The following table lists the 31.12.2021 depreciation of the right-of-use assets:

| *€/000* | **2021** |
|---|---|
| Land and buildings | 451 |
| Industrial and commercial equipment | 144 |
| Cars | 560 |
| Other tangibles fixed assets | 23 |
| **Total depreciation of Right-of-use** | **1,178** |

The adoption of the newly introduced IFRS 16 and the effects thereof are explained in the specific section of this Annual Report.

## 2. INTANGIBLE ASSETS AND GOODWILL

The composition of - and changes in - this item are set forth below:

| **Intangible assets and goodwill** *(euro/000)* | **Software** | **Concessions, licenses and** | **Other** | **Intangible assets under formation and** | **Total** | **Goodwill** |
|---|---|---|---|---|---|---|
| **Net value at beginning of 2020** | **5,710** | **2,875** | **12,247** | **6,469** | **27,302** | **186,227** |
| Increases | 1,279 | - | 3,321 | 452 | **5,057** | - |
| Decreases | (145) | - | 0 | - | **(144)** | - |
| Amortization | (2,507) | (820) | (5,057) | | **(8,384)** | - |
| Reclassification and other movements | 33 | | | (33) | **-** | - |
| **Net value at end of 2020** | **4,370** | **2,055** | **10,511** | **6,888** | **23,830** | **186,227** |
| **Net value at beginning of 2021** | **4,370** | **2,055** | **10,511** | **6,888** | **23,830** | **186,227** |
| Increases | 2,469 | - | 5,166 | 350 | **7,979** | - |
| Decreases | - | - | - | (89) | **(89)** | - |
| Amortization | (2,375) | (819) | (5,467) | | **(8,661)** | - |
| Reclassification and other movements | 13 | - | - | (13) | **-** | - |
| **Net value at end of 2021** | **4,477** | **1,236** | **10,209** | **7,137** | **23,059** | **186,227** |

The intangible assets include mainly the amounts recognised as a result of the 2013 merger, particularly the goodwill of originally 189,722 thousand euro. In 2015, goodwill decreased by 3,496 thousand euro due to the transfer of the Asia Pacific business division to Marcolin UK Ltd.

This item was subject to an impairment test to assess the recoverability of its carrying amount at the date of preparation of these financial statements.
The recoverable amount of goodwill was estimated using the Company's value in use, taken as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows in a continuing operation.
The methods and sensitivity analysis used for the test results are described in the subsequent section on impairment testing.
In brief, the impairment test and sensitivity analysis results provided values consistent with the invested capital presented in the Financial Statements.
The sensitivity analyses did not reveal any shortages: it is therefore reasonable to conclude that the carrying amount of Goodwill in the Parent Company's financial statements is recoverable, as the test did not require any write-downs to be made in respect of the assets recognised as Goodwill in the financial statements of Marcolin S.p.A.

During the year, capital expenditure amounted to 7,979 thousand euro (5,057 thousand euro in 2020), of which 2,469 thousand euro referred to *Software* and the remainder mainly included amounts paid by the Parent Company to certain licensors.

The purchase cost and accumulated amortisation of the intangible assets deducted directly from the cost are shown in the following table:

| Intangible assets and goodwill (euro/000) | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2021 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 23,123 | 7,437 | 41,699 | 7,137 | 79,396 | **186,227** |
| Accumulated depreciation | (18,646) | (6,201) | (31,490) | - | (56,337) | **-** |
| **Net value** | **4,477** | **1,236** | **10,209** | **7,137** | **23,059** | **186,227** |

The following table presents the amounts of the previous year:

| Intangible assets and goodwill (euro/000) | Software | Concessions, licenses and trademarks | Other | Intangible assets under formation and advances | Total 12/31/2020 | Goodwill |
|---|---|---|---|---|---|---|
| Undepreciated value | 20,641 | 7,437 | 36,346 | 6,888 | 71,313 | **186,227** |
| Accumulated depreciation | (16,271) | (5,382) | (25,835) | - | (47,488) | **-** |
| **Net value** | **4,370** | **2,055** | **10,511** | **6,888** | **23,830** | **186,227** |

Concessions, licenses and trademarks include the Web trademark.
This asset was obtained near the end of 2008 for 1,800 thousand euro after being appraised by an independent professional, and was subject to an amortisation process. Depreciation is provided over an estimated useful life of 18 years.

The item Concessions, licenses and trademarks also includes 5,000 thousand euro related to an option right, already exercised, which allowed the Company to extend a licence agreement beyond its natural expiration date (2015) and until December 2022. This cost is amortised over 7 years starting from 2016.

## *Impairment testing*

*Impairment testing*, under IAS 36, is performed at least annually for intangible assets with an indefinite useful life, such as goodwill. Other intangible assets are tested whenever there are external or internal indications that they have suffered an impairment loss.

The total amount of Goodwill of 287,720 thousand euro recognised at 31 December 2021 in the Group's consolidated financial statements, of which 186,227 thousand euro related to the Parent, was subject to an impairment test to assess the appropriateness of its carrying amount at the date of preparation of these financial statements.

The Group is now managed as a single unit coordinated by the Parent Company using a centralised model. For this reason, goodwill was measured at a Group level.

The recoverable amount of the net invested capital including goodwill was estimated using Marcolin Group's value in use, assumed as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of Marcolin Group's continuing operation.

The following assumptions were made to determine value in use:

- the "*cash-generating unit*" (CGU) was identified as the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and all its Italian and foreign subsidiaries) because the Group's organisational structure uses a centralised model headed by Marcolin S.p.A.;
- The main data sources used are: the draft Budget as at 31 December 2021, the Economic and Financial Budget 2022 and the Economic and Financial Plan 2023-2026[9]. The main assumptions that govern the multi-year Business Plan concern (i) from the commercial point of view, the focus on the full and complete development of the recently acquired brands, first and foremost Adidas and Max Mara; the continuous and constant development of the proprietary Web brand, as well as the organic growth of the portfolio of other brands in order to fully exploit the new opportunities offered by the market; the development of the E-commerce channel both directly and through third party intermediaries; the completion of the

9 the impairment test document was approved by the Parent Company's Board of Directors on 17 March 2022. Management prepared a four-year business plan to represent the evolution of the post-Covid-19 pandemic business, thus appreciating the commercial and industrial strategies undertaken.

implementation of the Group's CRM system; (ii) from an industrial and logistical point of view, increasing the efficiency of the entire supply chain, from the procurement channels of third-party suppliers to projects aimed at increasing internal production also through projects for the automation of industrial and logistical processes; efficiency in inventory management through new demand planning and product development processes;

- the terminal value was calculated using the 2026 EBITDA, assuming perpetual growth at a "g" rate. This rate was assumed to be 2.3%, conservatively taking into account the inflation expectations of the countries in which Marcolin operates.
  Changes were then made to the cash flow thus obtained in order to normalise the expected cash flow in perpetuity, in accordance with normal valuation practice;
- the cash flow discount rate (WAAC) is 9.4%, calculated in line with the Capital Asset Pricing Model (CAPM) commonly used for valuation in doctrine and in standard practice. This rate reflects current market valuations with reference to: 1) the cost of borrowed capital (Kd = 3.4%, net of taxes); 2) the expected remuneration of risk capital holders associated with the specific risks of Marcolin's business (Ke = 10.8%), weighted in consideration of the origin of the Group's main cash flows. Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

On the basis of the analysis performed, it can be well concluded that the Goodwill recorded is not impaired, as the value in use is much higher than the carrying amount of the net invested capital at 31 December 2021.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:

- changes in WAAC;
- changes in the "g" rate.

In this case, a half-percentage point increase in WAAC would result in a 6% decrease in the *enterprise value* (given the same "g"), whereas a half-percentage point decrease in the "g" rate would result in a 5% decrease in the *enterprise value* (given the same WAAC). Neither case would result in an impairment loss.

Lastly, a "*stress test*" was carried out assuming higher *capex* values than those contained in the Strategic Plan presented, in particular by foreseeing possible future disbursements that the Group could incur when renewing certain licences when they expire.
Even this stress test confirmed that the coverage amounts remain positive, with broad safety margins.

## 3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in directly controlled subsidiaries and associates and their changes for the year are reported below:

| **Subsidiaries** *(euro/000)* | **12/31/2020** | **Subscription /disposal** | **12/31/2021** |
|---|---|---|---|
| Marcolin USA Eyewear Corp. | 107,637 | - | 107,637 |
| Marcolin UK Ltd | 6,133 | - | 6,133 |
| Marcolin do Brasil Ltda | 13,164 | - | 13,164 |
| Marcolin Iberica SA | 3,268 | - | 3,268 |
| Marcolin-RUS LLC | 3,267 | - | 3,267 |
| Marcolin Deutschland Gmbh | 1,161 | - | 1,161 |
| Ging Hong Lin International Co Ltd | 3,400 | - | 3,400 |
| Marcolin Benelux Sprl | 477 | - | 477 |
| Marcolin Eyewear (Shanghai) Co., Ltd. | 397 | - | 397 |
| Marcolin Gmbh | 166 | - | 166 |
| Marcolin Technical Services (Shenzhen) Co. L | 142 | - | 142 |
| Marcolin Nordic AB | 904 | - | 904 |
| Marcolin Portugal Lda | - | - | - |
| Marcolin France Sas | 214 | - | 214 |
| Marcolin Asia Ltd | 176 | - | 176 |
| Marcolin México S.A.P.I. de C.V. | 2 | - | 2 |
| Marcolin Singapore Pte Ltd | 66 | - | 66 |
| Marcolin Middle East FZCO | 3,762 | - | 3,762 |
| Marcolin PTY Limited Australia | 28 | - | 28 |
| **Total** | **144,363** | **-** | **144,363** |

| **Associates** *(euro/000)* | **12/31/2020** | **Subscription /disposal** | **12/31/2021** |
|---|---|---|---|
| Thélios S.p.A. | 28,396 | (28,396) | - |
| **Total** | **28,396** | **(28,396)** | **-** |

Investments in subsidiaries amounted to 140,337 thousand euro. The amount includes 4,042 thousand euro of impairment losses on certain investments. Any negative difference between the carrying amount of certain investments in subsidiaries and their respective net asset value is not considered to be an indicator of impairment of the investment. Management has reached this conclusion in light of the impairment tests conducted on some equity investments, which show future profits based on the business plans of the companies concerned.

On 29 December 2020, Marcolin S.p.A. purchased the remaining 50% stake in Gin Hon Lin International Co Ltd for an equivalent value of 1.9 million euro, thereby becoming the sole shareholder. On 2 February 2021, Marcolin S.p.A. purchased the remaining 49% stake in Marcolin-RUS LLC for an equivalent value of 1,734 thousand euro, thereby becoming the sole shareholder.

As at 31 December 2020, the item Investments in associates consisted solely of the value of the investment in the associate Thélios S.p.A., a company established in collaboration with the LVMH Group, in which Marcolin S.p.A. held 49%.

The change in the value of the investment is the result of the following transactions since its incorporation to 23 December 2021:

- on 17 March 2017, the subscription of 58,800 Class B shares (58,800 euro), corresponding to 49% of the total number of shares issued by the company;
- on 16 October 2017, the capital increase by way of a new share issue. Marcolin S.p.A.'s portion is 431,200 Class B shares for 431,200 euro and a share premium of 5,855,696 euro, released by Marcolin S.p.A.

though a contribution in kind of the business division composed of assets, contracts and employees dedicated to the design, manufacturing and production of eyeglass frames and sunglasses with LVMH brands, established in 2017 upon completion of the company's start-up process and the beginning of extension and renovation works on the Longarone building. Using the unlevered free cash flow formula, the economic value of the transferred business division is 6,287 thousand euro. A professional valuation was drawn up for the contribution in kind, in accordance with Article 2343-quater of the Italian Civil Code. Vicuna Holding S.p.A., which owns 51% of the Thélios S.p.A. shares, carried out the capital increase with a monetary contribution;

- On 19 April 2018, the capital increase in accordance with Article 2447 of the Italian Civil Code pursuant to accruing losses recognised by the company in the first few months of 2018, by way of clearing and re-establishing share capital with a share premium, of which the portion referring to Marcolin S.p.A. was carried out with a subscription of 490,000 Class B shares for a value of 490,000 euro and a share premium of 542,430 euro paid with a bank transfer;
- waivers of interest-bearing receivables, in accordance with Article 1236 of the Italian Civil Code, referring to the loan from Marcolin S.p.A. to Thélios S.p.A., of the following dates and amounts:
    - effective 19 April 2018 for 8,767,570 euro;
    - effective 25 March 2019 for 4,900,000 euro;
    - effective 2 December 2019 for 7,350,000 euro;
    - effective 14 January 2021 for 6,860,000 euro;
    - effective 28 June 2021 for 1,960,000 euro.
- On 23 December 2021, the termination of the shareholding relationship in the *Joint Venture*. The transaction was finalised through the following transactions:
    - the sale by Marcolin S.p.A. to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro;
    - the sale by Vicuna Holding S.p.A. of 10% of the shares in Marcolin S.p.A., equal to 6,828,708 class B shares, to Marcolin S.p.A. itself, which then proceeded to purchase treasury shares at a price of 30 million euro and subsequently cancelled them; as a result of this transaction, 3 Cime S.p.A. came to hold 100% of the share capital of Marcolin S.p.A.

**4. OTHER NON-CURRENT ASSETS**

Other non-current assets amounted to 618 thousand euro (compared to 36 thousand euro for 2020) and mainly related to prepaid expenses for amounts financially recognised in the financial year 2021 but whose economic competence will affect also future years and, for a residual part, to prepaid commissions related to the *Senior Revolving Credit Facility* for a maximum amount of 46.2 million euro, not used as at 31 December 2021.

**5. NON-CURRENT FINANCIAL ASSETS**

The value of this item was 57,415 thousand euro, compared to a value of 53,795 thousand euro in 2020.

The balance in 2021 consists of the value of the receivable arising from loans granted to the subsidiary Marcolin USA Eyewear Corp. amounting to 65 million dollars, used by the same to support the acquisition of Viva Optique, Inc. on 3 December 2013, reduced in October 2019 by 60 million dollars due to the partial waiver of repayment.

The change in the balance with respect to the previous year derives from the conversion effect with the exchange rate at the end of the 2021 financial year of the above-mentioned intercompany financial receivable expressed in US dollars granted to the subsidiary Marcolin USA Eyewear Corp.

## 6. INVENTORIES

The composition of other current assets is shown below.

| **Inventories** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Finished goods | 45,165 | 53,640 |
| Raw material | 15,977 | 13,945 |
| Work in progress | 18,520 | 19,058 |
| **Gross inventory** | **79,663** | **86,643** |
| Inventory provision | (24,588) | (25,082) |
| **Net inventory** | **55,075** | **61,561** |

A comparison of inventory values shows an overall decrease in net inventories of 6,486 thousand euro compared to the previous year.
This change is attributable to a decrease in gross inventories of 6,980 thousand euro and a decrease in the inventory write-down provision of 494 thousand euro. The reduction in inventories is mainly attributable to the initiatives implemented by the management aimed at improving efficiency in the management of inventories in order to reduce them, while ensuring the sustainability of the growth in sales volumes realised in 2021 and expected also in 2022.

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition of and possibility to sell such inventory.

The Company continues to pursue efficient inventory management for the purposes of streamlining offered products by considerably reducing the number of models produced and accelerating the sales periods for some models.

In detail:

- the value of finished products fell by 8,475 thousand euro;
- an increase in raw materials of 2,032 thousand euro;
- a decrease in the value of work in progress of 537 thousand euro.

## 7. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

| **Trade receivables** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Gross trade receivables | 70,307 | 53,981 |
| Provision for bad debts | (3,459) | (3,887) |
| **Net trade receivables** | **66,848** | **50,094** |

The trend in trade receivables, which increased compared to the previous year, was mainly due to the direct effect of increased sales (heavily impacted in 2020 by the Covid-19 pandemic). The DSO trend was positive, confirming the post-pandemic recovery that began in the second half of 2020.

The provision for doubtful debts is stated in accordance with IFRS 9.

The amount of receivables recognised was not discounted, since all receivables are due within 12 months.

The trade receivables due from directly and indirectly controlled subsidiaries are set forth below:

| Receivables due from subsidiaries<br>*(euro/000)* | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Marcolin USA Eyewear Corp. | 8,534 | 8,896 |
| Marcolin do Brasil Ltda | 3,591 | 3,195 |
| Marcolin UK Hong Kong Branch | 3,496 | 2,132 |
| Gin Hon Lin Int. Co. Ltd | 6,996 | 7,842 |
| Marcolin France Sas | 5,035 | 2,276 |
| Marcolin UK Ltd | 2,229 | 1,012 |
| Marcolin Iberica SA | 3,130 | 2,319 |
| Marcolin Middle East FZCO | 2,262 | 1,301 |
| Marcolin México S.A.P.I. de C.V. | 2,068 | 790 |
| Marcolin Nordic AB Sweden | 851 | 29 |
| Marcolin Portugal Lda | 825 | 415 |
| Marcolin-RUS LLC | 170 | |
| Marcolin Deutschland Gmbh | 1,076 | 922 |
| Marcolin Nordic AB Norway | 472 | (3) |
| Marcolin Benelux Sprl | 618 | 581 |
| Marcolin Nordic AB Denmark | 780 | 596 |
| Marcolin Nordic AB Finland | 92 | 62 |
| Marcolin Gmbh | 655 | 605 |
| Marcolin Eyewear (Shanghai) Co., Ltd. | 1,877 | 39 |
| Marcolin Asia Ltd | 16 | 69 |
| Marcolin Singapore Pte Ltd | 0 | 149 |
| Marcolin PTY Limited Australia | 1,730 | 1,172 |
| **Total** | **46,506** | **34,400** |

## 8. OTHER CURRENT ASSETS

The composition of other current assets is shown below.

| Other current assets<br>*(euro/000)* | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Tax credits | 836 | 2,053 |
| Prepaid expenses | 771 | 587 |
| Assets for rights to receive goods bac | 1,598 | 1,389 |
| Other receivables | 10,155 | 11,796 |
| **Total other current assets** | **13,361** | **15,826** |

This item, amounting to 13,361 thousand euro (15,826 thousand euro in 2020), decreased by 2,465 thousand euro compared to the previous year and is divided into the following categories:

- prepaid expenses of 771 thousand euro (587 thousand euro in 2020), this item mainly includes amounts related to insurance premiums and other costs related to projects that will be incurred in 2021;
- receivables from others for 10,155 thousand euro (11,796 thousand euro in 2020), mainly consisting of the receivable from the parent company 3 Cime S.p.A. by virtue of the tax consolidation agreement in place with that company;
- other receivables of 1,598 thousand euro for returns from customers pursuant to the newly introduced accounting standard IFRS 15 (1,389 euro in the previous year).

## 9. CURRENT FINANCIAL ASSETS

The balance amounted to 37,452 thousand euro (compared to 70,747 thousand euro at 31 December 2020) and was mainly composed of existing receivables from Group companies for 36,577 thousand euro.

Marcolin S.p.A.'s main current financial assets from loans to subsidiaries and associates are listed below:

- 15.944 thousand euro due from Marcolin U.S.A. Eyewear Corp.;
- 7.505 thousand euro due from Marcolin do Brasil Ltda;
- 5.291 thousand euro due to Marcolin UK Ltd;
- 3.231 thousand euro due from Marcolin UK Ltd HK Branch;
- 1.837 thousand euro due from Marcolin México S.A.P.I. de C.V.;
- 843 thousand euro due from Marcolin Middle East FZCO;
- 501 thousand euro due from Marcolin Portugal Lda;
- 374 thousand euro due from Marcolin PTY Limited;
- 264 thousand euro due from Viva Hong Kong Ltd.

The overall balance compared to the previous year decreased by 33,295 thousand euro, mainly due to the performance of the centralised treasury of an *intercompany* nature managed through a *cash pooling* system, which resulted in a greater need for cash at the American subsidiaries, and the purchase by Vicuna Holding S.p.A. of the Shareholder Loan granted by Marcolin S.p.A. to Thélios S.p.A. and full repayment of the amounts financed totalling 13,193,578.31 euro, plus interest accrued as at 23 December 2021.

In accordance with Fourth Council Directive 78/660/EEC, Article 43, paragraph 1, no. 13, it is confirmed that, as at 31 December 2021, there were no loans to members of administrative, management or control bodies, nor any commitments undertaken for guarantees given to any members of administrative, management or control bodies, directors or statutory auditors.

## 10. CASH AND CASH EQUIVALENTS

This item, which amounts to 213.425 thousand euro, represents the value of cash deposits and highly liquid financial instruments, i.e., those with a maturity of up to three months.
Compared to the situation at 31 December 2020, there was an increase in cash and cash equivalents of 174,226 thousand euro. The increase is presented in the Statement of Cash Flows, which provides information on the 2021 movements in cash and cash equivalents.

## 11. EQUITY

The Parent Company's share capital amounts to a total of 35,902,749.82 euro, fully paid up, divided into 61,458,375 ordinary shares with no indication of nominal value.

As at 31 December 2021, the share capital was 100% owned by the shareholder 3 Cime S.p.A., following the purchase and subsequent cancellation on 23 December 2021 of the shares previously held by the shareholder Vicuna Holding S.p.A., as part of the process of realising the investment in the joint venture with the LVMH Group Thélios S.p.A.

The share premium reserve was 42,827 thousand euro as at 31 December 2020 and the capital reserve account remained unchanged at 46,108 thousand euro.

The Legal Reserve, amounting to 5,090 thousand euro, has not yet reached the limit required by Article 2430 of the Italian Civil Code.

The actuarial reserve regards future employee benefits accounted for under IAS 19, corresponding to Marcolin S.p.A.'s provision for severance indemnities.

The retained earnings/losses contain the amount deriving from first-time adoption of IFRS 9 and IFRS 15. This reserve also changed in 2021 as a result of the purchase and subsequent cancellation of shares previously held by the shareholder Vicuna Holding S.p.A.

The Statement of Changes in Equity provides more detailed information.

The following table shows the breakdown of the Company's shareholders' equity items as at 31 December 2021:

| Item (euro/000) | Amount | Possible use | Available portion | Uses in previous three years | |
|---|---|---|---|---|---|
| | | | | Loss coverage | Other |
| Share capital | 35,903 | | - | - | - |
| Share premium reserve | 42,827 | A-B-C | 42,827 | - | - |
| Legal reserve | 6,437 | B | - | - | - |
| Altre riserve | 46,834 | | - | - | - |
| Retained earnings/(losses) | 54,606 | A-B-C | 54,606 | - | 25,900 |
| Risultato d' esercizio | 106,898 | | - | - | - |
| **Net profit/(loss) for the period** | **293,505** | | **97,433** | - | **-** |
| Non-distributable portion under Civil Code Art. 2426, comma 1 n. 5 c.c. | | | - | | |
| Non-distributable portion under Civil Code Art. 2426, comma 1 n. 8 bis, c.c. | | | (2,578) | | |
| Non-distributable portion under Civil Code Art. 2431 | | | 743 | | |
| **Distributable portion** | | | **99,268** | | |
| **Restricted portion under TUIR Art. 109 paragraph 4/b** | | | **-** | | |

**Legend**
A - to increase share capital B - to cover losses C - to distribute to shareholders D - others

## 12. NON-CURRENT FINANCIAL LIABILITIES

The item, amounting to 372,803 thousand euro as at 31 December 2021, was composed of 370,736 thousand euro for the bond loan and the Shareholders' loan; the remaining 2,066 thousand euro referred to loans with banks and other financial institutions as well as the financial liability arising from IFRS 16.

The net financial position is set forth below. Additional information is provided in the Report on Operations.

| **Net financial debt** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Cash and cash equivalents | 213,425 | 39,200 |
| Current and non-current financial assets | 94,867 | 124,543 |
| Current financial liabilities | (22,237) | (61,215) |
| Current portion of non-current financial liabilities | (674) | (2,533) |
| Non-current financial liabilities | (372,803) | (329,608) |
| **Total net financial debt** | **(87,420)** | **(229,613)** |
| Loans from shareholders | 27,279 | 25,779 |
| **Total net financial debt adj** | **(60,142)** | **(203,835)** |

The following table presents the maturities of the financial payables, which are classified as current liabilities and non-current liabilities.

| **Borrowings maturity** *(euro/000)* | Within 1 year | From 1 to 3 years | From 3 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| Credit lines used | 6,935 | - | - | - | **6,935** |
| Loans | 3,698 | 342 | - | - | **4,040** |
| Other financiers | 899 | 587 | 370,150 | - | **371,635** |
| Financial liabilities as under IFRS16 | 895 | 1,212 | 512 | - | **2,619** |
| Intercompany | 10,483 | **-** | **-** | **-** | **10,483** |
| **12/31/2021** | **22,910** | **2,141** | **370,662** | **-** | **395,713** |

In addition to the commitments described subsequently (in Note 20) for the *revolving credit facility*, commitments to meet financial *covenants* exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. As more fully specified in the Report on Operations, in the paragraph on actions in the financial area, until 31 March 2022 there is the "*minimum liquidity covenant*", set at 10 million euro as the minimum level of cash, including any unused available credit lines, to be calculated on a quarterly basis by Marcolin S.p.A. From 30 June 2022, it will be replaced by the*"Total Net Leverage ratio covenant"* (calculated on a quarterly basis as the ratio of Net Financial Position to EBITDA, as defined in the contractual clauses) to be calculated only if the ssRCF line is drawn above a pre-determined percentage. In addition to these financial covenants, the loan agreement also includes, on a residual basis, certain disclosure obligations, other general commitments and certain limitations on the performance of certain investment and financing activities, commensurate with the capacity present in the calculation of certain *baskets*.

## 13. NON-CURRENT PROVISIONS

The composition of non-current provisions is shown below:

| Non-current funds *(euro/000)* | Provision for severance employee | Provision for agency terminations | Other funds | Total |
|---|---|---|---|---|
| **12/31/2019** | **2,846** | **958** | **1,527** | **5,331** |
| Allowances | 8 | 99 | 600 | 707 |
| Use / reversal | (191) | (120) | (609) | (921) |
| Actuarial loss / (gain) | 6 | - | - | 6 |
| **12/31/2020** | **2,669** | **937** | **1,518** | **5,123** |
| Allowances | - | 112 | 651 | 763 |
| Use / reversal | (388) | (202) | (264) | (854) |
| Actuarial loss / (gain) | 77 | - | - | 77 |
| **12/31/2021** | **2,357** | **847** | **1,905** | **5,110** |

Employee benefits consist of the employee severance indemnity provision ("TFR").
This provision, amounting to 2,357 thousand euro[10], was subject to actuarial valuation at the end of the year.[11].
The additional information required under Revised IAS 19 is provided hereunder:

- sensitivity analysis of each significant actuarial assumption at the end of the year, showing effects of changes in actuarial assumptions that are reasonably possible at that date, and in absolute terms:

| Analisi di sensitività | DBO * al 31/12/2021 |
|---|---|
| Tasso di turnover +1,00% | 2.340 |
| Tasso di turnover -1,00% | 2.376 |
| Tasso di inflazione +0,25% | 2.384 |
| Tasso di inflazione -0,25% | 2.332 |
| Tasso di attualizzazione +0,25% | 2.316 |
| Tasso di attualizzazione -0,25% | 2.400 |

* Defined Benefit Obligation

- next year's service cost and average vesting period of the defined benefit obligation:

| Contributi esercizio successivo | |
|---|---|
| Service cost pro futuro annuo | - |
| Duration del piano | 7,72 |

- payments foreseen under the plan:

| Anni | Erogazioni previste |
|---|---|
| 1 | 247 |
| 2 | 216 |
| 3 | 143 |
| 4 | 226 |
| 5 | 200 |

The provision for agency termination principally presents the liability regarding severance indemnities with respect to agents and is calculated in accordance with the applicable regulations.

The provision consists of the benefits that accrued to employees until 31 December 2006, to be paid upon or subsequent to termination of employment: the TFR accruing from 1 January 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.[10]

[11]The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of severance payments: 2%; 5) discount/interest rate: -0.02%; 6) TFR growth rate: 2.1% for 2020, 2.4% for 2019; 7) inflation rate: 0.8% for 2019, 1.2% for 2019.

Finally, the provision for risks and charges presents the estimated amount, in a medium/long-term time horizon, of future obligations toward third parties for liabilities arising in previous periods.

### 14. OTHER NON-CURRENT LIABILITIES

This item mainly represents the value of security deposits and the deferral of the tax credit for the purchase of capital goods during 2021, which will be recovered in future years based on the depreciation rates of the fixed assets on which this credit was calculated.

### 15. TRADE PAYABLES

The following table sets forth the trade payables by geographical area:

| **Trade payables by geographical area** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Italy | 45,457 | 28,460 |
| Rest of Europe | 24,370 | 6,088 |
| North America | 14,757 | 18,850 |
| Rest of  Word | 35,290 | 26,689 |
| **Total** | **119,874** | **80,087** |

The balance of trade payables as at 31 December 2021 increased compared to the previous year due to the effect of the timing of the Parent's procurement from third party suppliers to meet the first quarters of the following year which, due to the seasonal nature of sales typical of the sector, see a higher volume of sales compared to the other quarters of the year. However, the balance as at 31 December 2020 was particularly low as a result of both the reduction in supplies of goods and the policy of containing costs to cope with the effects of Covid-19.

The trade payables were not subject to discounting; the amount is a reasonable representation of their fair value since there are no payables due after 12 months.

With regard to the disclosures required by IFRS 7, it should be noted that as at 31 December 2021, there were no overdue trade payables, with the exception of the positions subject to disputes initiated by the Company with suppliers.

### 16. CURRENT FINANCIAL LIABILITIES

This item, amounting to 22,910 thousand euro, is composed of short-term bank loans (7,724 thousand euro), loans to other lenders (3,808 thousand euro) and other financial payables due within 12 months from the balance sheet date, for 10,483 thousand euro to the Group's subsidiaries.

The main current financial liabilities with subsidiaries and associates are listed below:

- 4.204 thousand euro due to Marcolin UK Ltd;
- 1.551 thousand euro due to Viva Eyewear UK Ltd;
- 456 thousand euro due to Marcolin Benelux;
- 3.446 thousand euro due to Marcolin France Sas;
- 536 thousand euro due to Marcolin Iberica SA.

### 17. CURRENT PROVISIONS

The table below presents the most significant changes in the current provisions of the past two years:

| Current funds (euro/000) | Other funds | Returns reserve | Warranty provision | Totale |
|---|---|---|---|---|
| **12/31/2019** | **1,018** | **3,154** | **437** | **4,608** |
| Allowances | 1,024 | - | 4 | 1,028 |
| Use / reversal | - | (725) | - | (725) |
| **12/31/2020** | **2,042** | **2,429** | **441** | **4,912** |
| Allowances | 2,000 | 390 | - | 2,390 |
| Use / reversal | (4,027) | - | (76) | (4,103) |
| **12/31/2021** | **15** | **2,819** | **365** | **3,199** |

The value of Other provisions decreased as a result of the utilisation of provisions made in previous years to cover the losses of certain subsidiaries.

The returns provision and product warranty provision are disclosed in accordance with IFRS 15. Additional information is provided in the section on accounting standards.

## 18. OTHER CURRENT LIABILITIES

The other current liabilities are as follows.

| Other current liabilities (euro/000) | 12/31/2021 | 12/31/2020 |
|---|---|---|
| Payables to personnel and others | 9,636 | 5,982 |
| Dividends to Shareholders | - | 1,107 |
| **Total Other current liabilities** | **9,636** | **7,088** |

The other current liabilities consist primarily of amounts due to personnel and the related social security contributions.
The increase in the portion of payables to employees is mainly due to a lower utilisation of the provision for holidays and leaves of absence compared to 2020, the extraordinary reduction of which in the previous year was mainly due to governmental measures implemented to reduce the spread of the Covid-19 pandemic. There is also an increased provision for bonuses, such as MBO and performance bonuses, as a result of the achievement of annual targets, which were not reached in the previous year.
Payables to shareholders for dividends amounted to zero as of 31 December 2021 as a result of the offsetting of this payable item with the parent company 3 Cime S.p.A. during the financial year 2021 with a corresponding amount receivable from the same parent company arising from tax items transferred to the parent company under the current tax consolidation agreement. It should be noted that the amount of the payables equal to 1,107 thousand euro at 31 December 2020 corresponded to the component not yet paid to the shareholder 3 Cime S.p.A. in reference to a dividend distribution resolved by the shareholders' meeting of 10 February 2017, for a total amount of 25,900 thousand euro.

## 19. COMMITMENTS AND GUARANTEES

***Guarantees associated with the bond issue***

With regard to commitments and guarantees, please refer to paragraph 20. COMMITMENTS AND GUARANTEES in the notes to the consolidated financial statements.

The Company also has guarantees in place against third parties for 3,320 thousand euro (2,237 thousand euro in 2020).

***Licenses***

The Company has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.
As well as guaranteed minimums in terms of royalties, these contracts also establish a commitment for advertising expenses; the total of these future commitments, as of 31 December 2021, amounted to 156,011 thousand euro (223,177 thousand euro in 2020), of which 56,778 thousand euro are due within the next financial year.

| **Guaranteed minimum Royalties due** *(euro/000)* | **12/31/2021** | **12/31/2020** |
|---|---|---|
| Within one year | 56,778 | 47,931 |
| In one to five years | 99,233 | 175,246 |
| **Totale** | **156,011** | **223,177** |

## INCOME STATEMENT

As described in the Report on Operations, the balances can include some non-recurring costs incurred for special initiatives undertaken or pursued during the year, such as extraordinary costs for employees who left the company, consulting services and services associated with the non-recurring transactions of the year.
The effects of those costs are described in the Report on Operations to take them into account for the purpose of determining normalised income for 2021, duly compared with 2020.

The Company's main income statement items and changes therein are described in this section.

## 20. REVENUE

The following table sets forth the 2021 net sales revenues by geographical area:

| **Net Revenues by geographical area** | **2021** | | **2020** | | **Change** | |
|---|---|---|---|---|---|---|
| *(euro/000)* | **euro** | **% of total** | **euro** | **% of total** | **euro** | **%** |
| *Italy* | *32,696* | *13.2%* | *24,568* | *12.9%* | *8,128* | *33.1%* |
| *Rest of Europe* | *118,374* | *47.6%* | *86,809* | *45.5%* | *31,565* | *36.4%* |
| Europe | 151,070 | 60.8% | 111,377 | *58.4%* | 39,693 | 35.6% |
| Americas | 56,895 | 22.9% | 46,195 | *24.2%* | 10,701 | 23.2% |
| Asia | 10,449 | 4.2% | 11,378 | *6.0%* | (929) | -8.2% |
| Rest of World | 30,117 | 12.1% | 21,884 | 11.5% | 8,233 | 37.6% |
| **Total** | **248,531** | **100.0%** | **190,833** | **100.0%** | **57,698** | **30.2%** |

Net sales revenue realised in 2021 amounted to 248,531 thousand euro, compared to 190,833 thousand euro in 2020, an increase of 57,698 thousand euro compared to the previous year (a change of 30.2%).
The Report on Operations describes the 2021 performance of sales.

## 21. COST OF SALES

Below is a detailed breakdown of the cost of sales:

| **Cost of sales (euro/000)** | **2021** | **% of net revenues** | **2020** | **% of net revenues** |
|---|---|---|---|---|
| Cost of product | 129,172 | 52.0% | 107,224 | 56.2% |
| Cost of personnel | 9,875 | 4.0% | 7,689 | 4.0% |
| Amortization, depreciation and writedowns | 3,697 | 1.5% | 3,897 | 2.0% |
| Other costs | 6,518 | 2.6% | 5,246 | 2.7% |
| **Total** | **149,262** | **60.1%** | **124,056** | **65.0%** |

The cost of sales decreased in absolute terms by 25,206 thousand euro and corresponded to 60.1% of sales, compared with 65.0% in 2020.

The other expenses refer principally to purchasing costs (transport and customs) and business consulting services.

## 22. DISTRIBUTION AND MARKETING EXPENSES

Below is a breakdown of the distribution and marketing expenses:

| Distribution and marketing expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Cost of personnel | 15,375 | 6.2% | 12,201 | 6.4% |
| Commissions | 4,075 | 1.6% | 3,381 | 1.8% |
| Amortization, depreciation and writedowns | 10,688 | 4.3% | 10,135 | 5.3% |
| Royalties | 34,000 | 13.7% | 23,468 | 12.3% |
| Advertising and PR | 21,977 | 8.8% | 13,008 | 6.8% |
| Other costs | 5,882 | 2.4% | 5,234 | 2.7% |
| **Total** | **91,997** | **37.0%** | **67,426** | **35.3%** |

This item increased by 24,571 thousand euro (or 36.4%) compared to the previous year. The proportion of net sales increases to 37.0% compared to 2020.
The other expenses consist primarily of sales expenses, including transport costs, travel expenses, rent expense and entertainment expenses.

## 23. GENERAL AND ADMINISTRATION EXPENSES

The general and administrative expenses are set forth below:

| General and administrative expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Cost of personnel | 7,769 | 3.1% | 7,125 | 3.7% |
| Writedown of receivables | (235) | (0.1)% | (850) | (0.4)% |
| Amortization, depreciation and writedowns | 1,048 | 0.4% | 1,095 | 0.6% |
| Other costs | 6,043 | 2.4% | 5,928 | 3.1% |
| **Total** | **14,625** | **5.9%** | **13,299** | **7.0%** |

The value of this item increased by 1,326 thousand euro compared to the previous period, mainly as a result of the incentives linked to Covid-19, which had an impact on this item.
The item Other costs, amounting to 6,043 thousand euro (increasing by 115 thousand euro year on year), mainly includes compensation to Directors, Statutory Auditors and Independent Auditors, other services and consultancy referred to the general and administrative area, EDP expenses and expenses related to the Parent Company's IT systems.

## 24. EMPLOYEES

The 2021 end-of-period and average numbers of employees (including the workforce on temporary contracts) are broken down below in comparison with the previous year:

| Employees | Final number | | Average number | |
|---|---|---|---|---|
| Category | 12/31/2021 | 12/31/2020 | 2021 | 2020 |
| Managers | 24 | 21 | 22 | 21 |
| Staff | 343 | 331 | 338 | 339 |
| Manual workers | 560 | 517 | 539 | 525 |
| **Total** | **927** | **869** | **899** | **885** |

## 25. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

| Other operating income and expenses (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Other income | 8,324 | 3.3% | 5,891 | 3.1% |
| Other expenses | (34) | (0.0%) | (9,230) | (4.8%) |
| **Total** | **8,289** | **3.3%** | **(3,339)** | **(1.7%)** |

The balance of this item was a gain of 8,289 thousand euro compared to a charge of 3,339 thousand euro in the previous year.

Other revenues are mainly composed of the item Recovery of advertising expenses, incurred by the Parent Company and recharged to Group companies for 7,536 thousand euro compared to 5,172 thousand euro in 2020. The other expenses of 2021 include costs deriving from contractual renegotiation with some suppliers.

## 26. DIVIDEND INCOME FROM SUBSIDIARIES

The amount of this item, which came to 119,616 thousand euro, included the 120,784 thousand euro effect of the divestment of the investment in Thélios S.p.A. As already described in the section of these Explanatory Notes *3. Equity investments*, on 23 December 2021 Marcolin and LVMH decided to terminate the equity investment relationship in the *Joint Venture* Thélios. This transaction, among others, resulted in income from equity investments recognised in this item as the differential between the amount received from the sale to the shareholder Vicuna Holding S.p.A. of 49% of the shares in Thélios S.p.A., equal to 490,000 class B shares, at a price of 158 million euro and the value of the equity investment in Thélios S.p.A., which, in the in the separate financial statements of Marcolin S.p.A., was recorded for an amount equal to 37.216 million euro.
The item also includes income from dividends distributed by some Group companies: 150 thousand euro from Marcolin-RUS LLC and 682 thousand euro from Marcolin Middle East FZCO.
Lastly, in 2021, an accrual was made to the provision for impairment of investments for 2,000 thousand euro, recorded conservatively with reference to the Brazilian subsidiary, following the *impairment* process aimed at assessing the value of the investment in the balance sheet assets.

## 27. FINANCIAL INCOME AND COSTS

The financial income and costs are set forth below:

| Financial income and costs (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Financial income | 16,443 | 6.6% | 8,244 | 4.3% |
| Financial costs | (27,666) | (11.1%) | (26,888) | (14.1%) |
| **Total** | **(11,223)** | **(4.5%)** | **(18,645)** | **(9.8%)** |

The composition of financial income and finance costs is shown below:

| Financial income (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Interest income from subsidiaries | 5,629 | 2.3% | 5,141 | 2.7% |
| Interest income and others | 445 | 0.2% | 612 | 0.3% |
| Gains on currency exchange | 10,369 | 4.2% | 2,490 | 1.3% |
| **Total** | **16,443** | **6.6%** | **8,244** | **4.3%** |

| Financial costs (euro/000) | 2021 | % of net revenues | 2020 | % of net revenues |
|---|---|---|---|---|
| Interest expense | (25,476) | (10.3)% | (16,721) | (8.8)% |
| Financial discounts | 0 | 0.0% | (172) | (0.1)% |
| Losses on currency exchange | (2,190) | (0.9%) | (10,167) | (5.3%) |
| **Total** | **(27,666)** | **(11.1)%** | **(26,888)** | **(14.1)%** |

Financial income and costs result in net costs of 11,223 thousand euro, compared with net costs of 18,645 thousand euro for 2020.

The balance of financial management shows income of 16,443 thousand euro and expenses of 27,666 thousand euro. The components are classifiable in two different categories: financial income and costs, and exchange differences.
The first component consists of:

- interest receivable from group companies for 5,629 thousand euro referring to loans granted to these companies and from others for 445 thousand euro;
- interest expense of 25.476 thousand euro, consisting primarily of:
  - 18,603 thousand euro of interest to service the new bond loan held by Marcolin S.p.A., which is paid with semi-annual instalments in May and November;
  - The reversal to profit or loss of the issue costs of the new bond issue, accounted for in accordance with IFRS under the *amortised cost* financial method, in addition to the same residual component related to the redemption of the previous bond issue settled in May 2021;
  - 3.942 thousand euro in net finance costs referring to interest expense with other lenders, actualisation differences and intercompany loans.

With reference to foreign exchange gains and losses, the overall contribution of these items was positive for 8,178 thousand euro in 2021 compared to a net negative balance of 7,677 thousand euro in the previous year.
The amount recognised in 2021 was affected by the adjustment to the year-end exchange rate of the financial receivable denominated in U.S. dollars outstanding between Marcolin S.p.A. and Marcolin USA Eyewear Corp. (amounting to 65 million dollars following the partial waiver of the repayment occurred in October 2019), which generated an unrealised foreign exchange gain of 4.4 million euros as a result of the appreciation of the US dollar against the euro by 7.7% in 2021.

As at 31 December 2021, there were no hedging contracts in place for foreign exchange transactions (purchases and sales).

## 28. INCOME TAXES

Current tax was determined by applying the tax rates in force to taxable income (profit for the year determined with the changes generated by the applicative tax rules).

The balance of this item amounted to 2,432 thousand euro, including expenses from tax consolidation for 2,146 thousand euro, current taxes for 257 thousand euro, net deferred taxes for -30 thousand euro and tax income related to the previous year for 513 thousand euro.

| **Income taxes** *(euro/000)* | **2021** | **2020** |
|---|---|---|
| Current taxes | 257 | 43 |
| Deferred taxes | (30) | 5,044 |
| Gain/(Loss) from Tax Consolidation | (2,146) | 3,363 |
| Taxes relating to prior year | (513) | 259 |
| **Total income taxes** | **(2,432)** | **8,710** |

The tax consolidation charge refers entirely to the Parent Company's IRES payable to 3 Cime S.p.A. by virtue of the tax consolidation agreement in place, which was automatically renewed in accordance with the provisions of current legislation and is better specified in the paragraph "National tax consolidation" at the beginning of the notes to the separate financial statements.

Income taxes for the year are reconciled with the theoretical tax burden in the following table:

| **Tax rate reconciliation** *(euro/000)* | **%** | **12/31/2021** | **%** | **12/31/2020** |
|---|---|---|---|---|
| **Results before tax** | | **109,330** | | **(35,645)** |
| Theoretical taxes | 24.0% | (26,239) | 24.0% | 8,555 |
| IRAP and other | 0.2% | 218 | 0.0% | - |
| Higher taxes due to non-deductible costs | (3.6)% | (3,983) | 0.8% | (277) |
| Lower taxes for non-taxable income | 25.7% | 28,085 | (0.5)% | 173 |
| Taxes relating to prior year | (0.5)% | (513) | (0.7)% | 259 |
| **Total income taxe expense** | **(2.2)%** | **(2,432)** | **(24.4)%** | **8,710** |

The deferred taxes and changes therein for the year are set forth below:

| **Deferred tax assets** *(euro/000)* | **Temporary differences 12/31/2021** | **%** | **Tax on tamporary differences 12/31/2021** | **Temporary differences 12/31/2020** | **%** | **Tax on tamporary differences 12/31/2020** |
|---|---|---|---|---|---|---|
| Accumulated tax losses | - | 24% | - | 1,658 | 24% | 398 |
| Inventory provisions | 22,521 | 24,0%/27,9% | 5,405 | 21,407 | 24,0%/27,9% | 5,138 |
| Grants and compensation deductible on a cash basis | 2,945 | 24,0%/27,9% | 707 | 8,476 | 24,0%/27,9% | 2,068 |
| Non-deductible financial interest | 16,027 | 24.0% | 3,846 | 10,220 | 24.0% | 2,453 |
| Unrealized currency exchange differences | 1,485 | 24.0% | 356 | 1,056 | 24.0% | 253 |
| Taxed provision for doubtful debts | 1,778 | 24.0% | 427 | 2,424 | 24.0% | 586 |
| Supplementary client indemnity provision | 274 | 27.9% | 76 | 319 | 27.9% | 89 |
| Provision for return risks | 1,585 | 27.9% | 442 | 1,481 | 27.9% | 413 |
| Provisions for risks and charges | 15 | 27.9% | 4 | 15 | 27.9% | 4 |
| Others | 2,693 | 24,0%/27,9% | 916 | 2,157 | 24,0%/27,9% | 521 |
| **Total deferred tax assets** | **49,323** | | **12,180** | **49,212** | | **11,922** |

| **Deferred tax liabilities** *(euro/000)* | **Temporary differences 12/31/2021** | **%** | **Tax on tamporary differences** | **Temporary differences 12/31/2020** | **%** | **Tax on tamporary differences** |
|---|---|---|---|---|---|---|
| Finance cost deducted on a cash basis | - | 24.0% | - | (2,095) | 24.0% | (503) |
| Property, plant and equipment and intangible assets | (1,177) | 27.9% | (328) | (1,425) | 27.9% | (397) |
| Unrealized currency exchange differences | (10,326) | 24.0% | (2,478) | | | |
| Actuarial gain / losses su TFR IAS | (76) | 24.0% | (0) | (6) | 24.0% | (2) |
| **Total deferred tax liabilities** | **(11,579)** | | **(2,807)** | **(10,845)** | | **(2,658)** |
| | | | | | | |
| **Total net DTA/DTL** | **37,745** | | **9,373** | **38,367** | | **9,263** |

The difference between deferred tax assets and liabilities in the balance sheet, amounting to 110 thousand euro, differs from the balance of deferred taxes in the income statement, amounting to 30 thousand euro, for the following reasons:

- Deferred tax recognition on amounts accounted for in equity totalling 40 thousand euro;
- Adjustment of deferred taxation following the completion of the tax return during the financial year 2021 for a total of 119 thousand euro recorded in the item "Taxes related to the previous year".

## INCOME AND EXPENSES WITH SUBSIDIARIES AND ASSOCIATES

The intercompany transactions are mainly of a trade and/or financial nature and are conducted at market conditions.

Income and expenses with directly controlled subsidiaries are set forth below:

| Company (euro/000) | Revenues for sales and services | Dividends | Other income | Financial income from non-current assets | Financial expenses for non-current liabilities | Cost of row, ancillary and consumable material and products | Cost of services | 12/31/2021 |
|---|---|---|---|---|---|---|---|---|
| Marcolin Eyewear (Shangai) Co. | (1,494) | - | (45) | - | - | - | 8 | (1,531) |
| Gin Hon Lin International Co. Ltd | (701) | - | (39) | - | - | (10) | 2 | (748) |
| Marcolin (Deutschland) GmbH | (12,374) | - | (453) | (1) | 10 | - | 76 | (12,741) |
| Marcolin (UK) Ltd | (8,055) | - | (480) | (177) | 103 | - | 174 | (8,434) |
| Marcolin Asia Ltd. | (2) | - | (23) | - | - | - | 1,039 | 1,015 |
| Marcolin Benelux S.p.r.l. | (6,786) | - | (305) | (0) | 27 | - | 112 | (6,953) |
| Marcolin do Brasil Ltda | (7,604) | - | (527) | (294) | - | - | 66 | (8,359) |
| Marcolin France SAS | (21,299) | - | (2,217) | (0) | 69 | - | 595 | (22,852) |
| Marcolin GmbH | (849) | - | (121) | - | - | 0 | 7 | (964) |
| Marcolin Iberica S.A. | (8,026) | - | (819) | (8) | 3 | - | 473 | (8,377) |
| Marcolin Middle East FZCO | (7,759) | (682) | (4) | (46) | - | - | 394 | (8,097) |
| Marcolin Nordic AB Denmark | (2,121) | - | (78) | - | - | - | - | (2,200) |
| Marcolin Nordic AB Finland | (703) | - | (65) | - | - | - | 1 | (767) |
| Marcolin Nordic AB Norway | (1,578) | - | (200) | - | - | - | - | (1,778) |
| Marcolin Nordic AB Sweden | (3,869) | - | (192) | (4) | - | - | 19 | (4,047) |
| Marcolin Portugal Lda | (1,320) | - | (199) | (26) | - | - | 14 | (1,531) |
| Marcolin Technical Services (Shenzhen) Co.Ltd | - | - | - | - | - | - | 550 | 550 |
| Marcolin Uk Hong Kong Branch | (7,871) | - | (1,153) | (120) | - | 423 | 240 | (8,481) |
| Marcolin Usa Eyewear Corp. | (41,772) | - | (11,022) | (4,832) | - | 1,559 | 4,143 | (51,924) |
| Marcolin-RUS LLC | (4,571) | (150) | - | - | - | - | - | (4,720) |
| Viva Eyewear HK Ltd | - | - | - | (4) | - | - | - | (4) |
| Viva Eyewear UK Ltd | - | - | - | - | 26 | - | - | 26 |
| Marcolin México S.A.P.I. de C.V. | (3,831) | - | 29 | (70) | - | - | 141 | (3,731) |
| Marcolin Singapore Pte. Ltd. | (2) | - | (7) | (31) | - | - | - | (40) |
| Marcolin PTY Limited | (1,874) | - | (534) | (15) | - | 0 | 37 | (2,385) |
| **Total** | **(144,460)** | **(831)** | **(18,454)** | **(5,629)** | **238** | **1,972** | **8,091** | **(159,073)** |

## RELATED-PARTY TRANSACTIONS

Related-party transactions were of a trade nature, conducted at market conditions, and regarded licensing agreements in particular.
The transactions and outstanding balances with respect to related parties as at 31 December 2021 are shown below, as required by IAS 24.

| Company *(euro/000)* | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 60 | - | 125 | - | Related party |
| Coffen Marcolin Family | 662 | - | 277 | 0 | Related party |
| 3 Cime S.p.A. | 1,500 | - | 27,279 | 8,184 | Consolidating |
| **Total** | **2,222** | **-** | **27,680** | **8,184** | |

The same table is set forth for 2020:

| Company *(euro/000)* | Expenses | Revenues | Payables | Receivables | Type |
|---|---|---|---|---|---|
| **Other related parties** | | | | | |
| Pai Partners Sas | 40 | - | 109 | - | Related party |
| Coffen Marcolin Family | 487 | - | 95 | 0 | Related party |
| 3 Cime S.p.A. | 779 | - | 25,779 | 10,833 | Consolidating |
| Thélios S.p.A. | 87 | 890 | 147 | 18,777 | Associates |
| **Total** | **1,393** | **890** | **26,129** | **29,609** | |

The remuneration of the Directors and Statutory Auditors is reported below (the table does not present Key Management Personnel because they are included in the category of the Company's Directors).

| (euro/000) | 2021 Board of Directors | 2021 Statutory Auditors | 2020 Board of Directors | 2020 Statutory Auditors |
|---|---|---|---|---|
| Base fee | 185 | 100 | 215 | 100 |
| Salaries and benefits | 1,000 | - | 629 | - |
| **Total** | **1,185** | **100** | **844** | **100** |

### *Atypical and unusual transactions*

In 2021, there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A.

### *Significant non-recurring events and transactions*

The significant non-recurring events and transactions that impacted the Company's financial position, financial performance and cash flows in 2021 are described in the Report on Operations, in the description of the Income Statement highlights.

### *Government grants*

The 2017 annual law for market and competition required disclosure in the notes to the Financial Statements of grants, subsidies, paid engagements and all financial benefits in general received from public entities and companies controlled by public entities (Law no. 124 of 4 August 2017 – Article 1, paragraphs 125 to 129 – hereinafter “Law 124/2017”). Mandatory disclosure is effective from 2019 regarding all financial benefits received from 1 January 2018. The 2021 information for Marcolin S.p.A., presented on a cash basis, is set out below.

*Super-deprecation benefit*

During the 2019 financial year, in the period between 1 January 2019 and 31 December 2019, Marcolin S.p.A. incurred costs for investments in new capital goods for which it benefited from the so-called "super-amortisation" referred to in Article 1, paragraph 91 et seq. of Law 208/2015 and subsequent extensions, the total quantification of which was shown in the tax return filed during the 2021 financial year in the amount of 542,842 euro.

*Hyper-depreciation benefit*

Marcolin S.p.A. during the 2019 financial year, in the period between 1 January 2019 and 31 December 2019, incurred costs for investments in new capital goods for which it benefited from the so-called "hyper-amortisation" referred to in Article 1, paragraphs 8 to 11, of Law 232/2016 and subsequent extensions, the total quantification of the benefit of which was shown in the tax return filed during the 2021 financial year in the amount of 670,404 euro.

*New tax credit for purchases of capital goods*

The 2020 Budget Law (Law 160/2019, Article 1, paragraphs 184-197) fully replaced the super-/hyper-depreciation regulations with those regarding a new tax credit available for investments in new capital goods.
This credit applies to investments made from 1 January 2021 until 31 December 2021, or until 31 December 2022 provided that, by 2021, the relevant purchase order is formally accepted by the seller and down payments of at least 20% of the acquisition cost have been made.
Marcolin S.p.A. incurred eligible costs in 2021 that resulted in a tax credit of 747,232 euro.

*Personal protective equipment (PPE)*

Article 32 of Decree-Law No. 73 of 25 May 2021 recognised a tax credit in relation to expenses incurred in June, July and August 2021 for the sanitisation of environments and tools used and for the purchase of personal protective equipment and other devices to ensure the health of workers and users, including expenses for the administration of swabs for Covid-19.
During the above quarter, Marcolin S.p.A. incurred costs attributable to the above category for 86,653 euro, against which it obtained a tax credit of 25,996 euro.

*Advertising investment tax credit for the year 2021*

Article 57-bis of Decree-Law No. 50 of 24 April 2017, converted with amendments by Law No. 96 of 21 June 2017, as amended, established, as of 2018, a tax credit on incremental advertising investments, with a minimum increase

of 1% compared to similar investments in the previous year, made by companies, self-employed persons and non-commercial entities, in the press (daily newspapers and periodicals, local and national) and on local radio and television broadcasters. Limited to the years 2020, 2021 and 2022, the tax credit is granted in the single measure of 50% of the value of the investments made and the requirement of a minimum increase of 1% compared to the investments made in the previous year is waived.
In 2021, Marcolin S.p.A. incurred eligible costs that resulted in a tax credit of 18,163 euro.

*“Industria 2015” - New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation*

In 2010, the research, development and innovation project “Industria 2015” - New Technologies for Made in Italy, from the District to the Production Line: Eyewear and manufacturing innovation, Objective B Area, Project Number MI00153 was launched. The purpose of the project was to create a platform for supply chain integration that operates on the technical and operational aspects of the companies, which should encourage the competitive and technological development of Italian eyewear business systems. The platform should enable marketing and supply chain events to be communicated quickly to the entire production process, and any critical issues leading to changes in supply chain planning to be made visible rapidly to all interested parties. The platform will also create interactive communications between the various parties in the supply chain.
Under Ministry of Economic Development Decree no. 00098MI01, dated 21 December 2013, expenses of 13,747,949 euro and total facilities of 4,247,627 euro were granted. Marcolin S.p.A.'s investment is 849,686.49 euro, with a total contribution to expenses of 182,790.90 euro, as budgeted. In 2016, the Company received 25,108.85 euro of the grant.

*R&D credit*

Marcolin S.p.A. incurred expenditure for research and development (R&D) activities in 2015 and subsequent years. In the course of 2021, the determination and validation of the R&D credit related to the costs incurred during the tax years 2016 and 2017 were completed and the relevant supplementary declarations were submitted, as a result of which a credits of 38,400.20 and 335,281.16 euro, respectively, were recorded.

*Exemption from INPS contributions on new employees*

The company benefited from the following INPS contribution exemptions during 2021:
•Subsidies for the first open-ended contract for young people under 35 (GECO) 66,404 euro
•Concessions on open-ended recruitment from 15/08/2020 to 31/12/2020 Legislative Decree 104/2020 13,455 euro

***Significant events occurring after the end of the financial year***

As regards significant events occurring after the end of the financial year, please refer to the same paragraph in the notes to the Consolidated Financial Report.

# REPORT BY THE AUDITORS ON THE SEPARATE FINANCIAL STATEMENTS

# INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

## *Independent auditor's report*

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010*

To the sole shareholder of
Marcolin SpA

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Marcolin SpA (the Company), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers SpA*

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The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

## *Report on Compliance with other Laws and Regulations*

### *Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10*

The directors of Marcolin SpA are responsible for preparing a report on operations of the Company as of 31 December 2021, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Marcolin SpA as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Marcolin SpA as of 31 December 2021 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 7 April 2022

PricewaterhouseCoopers SpA

*Signed by*

Filippo Zagagnin
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

# REPORT BY BOARD OF STATUTORY AUDITORS

# BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF MARCOLIN S.P.A. PURSUANT TO PARAGRAPH 2 OF ARTICLE 2429 OF THE ITALIAN CIVIL CODE

**To the kind attention of the Company with Sole Shareholder**

Ladies and Gentlemen,
The external audit of the accounts for each of the three years from 31 December 2019 to 31 December 2021 has been assigned to PricewaterhouseCoopers S.p.A. (the "Independent Auditors"), pursuant to Article 14 of Italian Legislative Decree 39/2010 and Articles 2409-bis et seq. of the Italian Civil Code and in accordance with the reasoned proposal of this Board of Statutory Auditors.
The Board of Directors has provided us with the report on operations and draft Financial Statements for the year from 1 January 2021 to 31 December 2021, which shows a net loss of 106,897,967 euro, approved on 17 March 2022.
During the year ended on 31 December 2021, we performed the supervisory duties required by law, in observance of the provisions issued by Consob and also in accordance with the Board of Statutory Auditors' Code of Conduct recommended by the Italian Association of Certified Accountants.
Certain events of major importance, which characterised the 2021 financial year and the first months of the current year 2022 and of which adequate evidence has been presented in the financial statements, are reported:

- The debt refinancing operation, through the issue in May 2021 of a new bond maturing in 2026 with a value of 350 million euro and at a rate of 6.125%;
- The sale to the LVMH Group of the shares in Thélios S.p.A. (49%), with the simultaneous re-acquisition by the LVMH Group of 10% of own shares, which generated a net gain of 121 million euro in the separate financial statements and of 167 million euro in the consolidated financial statements;
- The war between Russia and Ukraine that began on 24 February 2022, which constituted a non-adjusting event on the financial statements closed as at 31 December 2021, but which was adequately reported in the Explanatory Notes; in particular, the Board of Directors underlines in the management report that the Marcolin Group is not exposed to significant risk in regard to the Russian market and that the Russian branch has sufficient liquidity and inventories to support the structure and current activity over the coming months.

In this context, with respect to our supervisory duties, we report that:

- we attended 10 (ten) Board of Director meetings and verified the observance of the principles of fair management, laws and by-laws, and the correct use of the proxies assigned to the Directors;
- the Board of Statutory Auditors attended the General Meetings of Shareholders, which were held in observance of the law to pass appropriate resolutions;
- 6 (six) meetings were held during the year to perform the statutory controls and to exchange information with the firm responsible for the external audit;
- we obtained the information necessary to perform our general supervisory function by constantly participating in Board of Director meetings and by meeting with management. We also obtained from the Directors, on a regular basis, information on the activities performed by the executive Directors in execution of the powers assigned to them, on the most significant business, financial and equity transactions, on related-party transactions including infra-group transactions, and on any atypical or unusual transactions, in accordance (as necessary) with Italian Legislative Decree 58/1998, Article 150, paragraph 1. This took place in keeping with the Company's specific corporate governance procedure to ensure that Directors and Statutory Auditors have at their disposal all information needed to ensure the correct fulfilment of their duties. Based on the information obtained, we verified that the main operations carried out by the Company were consistent with the business purpose and with the law and by-laws, and we can confirm that those operations were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;
- during the Board of Director meetings, we were given periodic and timely information on the activity performed by the Company and the Subsidiaries, and on the most significant business, financial and equity transactions, and we verified that those transactions were consistent with the business purpose and with the law and by-laws, and were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;
- we monitored the implementation of organisational measures associated with business developments; in this respect, the entry of the new C.E.O. coincided with the Board of Directors' decision to strengthen the Company's corporate governance and compliance structures, inspired by the system proposed by the

Corporate Governance Code for listed companies, ensuring the adoption of international best practices;
- during the year, we met regularly with the Independent Auditors and with other heads of functions: no matters worthy of note emerged from the meetings;
- we found no evidence of atypical or unusual transactions as defined in Consob Communication 6064293 of 28 July 2006;
- we verified that there are no routine intercompany or related-party transactions that are in conflict of the Company's interest or inconsistent; the intercompany and related-party transactions are described adequately by the Directors in the Report on Operations and in the Notes to the Financial Statements; all such transactions were carried out at market conditions;
- the Company applied the principles regarding procedures that companies must adopt to ensure the necessary conditions of fairness in the process of carrying out transactions with related parties;
- we evaluated, for that falling within our competence, the adequacy of the Company's organisational structure, internal control system, administrative and accounting systems, and their reliability to accurately represent business matters, by collecting information from department heads, by meeting with the Independent Auditors with the reciprocal exchange of data and information, and by attending Internal Audit Committee meetings, and, given the business activity and the size of the Company, we deem the organisation and systems to be adequate;
- we verified the timely adoption of appropriate and adequate organisational measures and correct corporate behaviour guidelines to contain the impact of the pandemic, which also continued into the year in question;
- we checked the Company's observance of the law and by-laws.

We inspected and obtained information regarding the organisational and procedural activities implemented by the Company and by its subsidiaries in accordance with Italian Legislative Decree 231/01 on the administrative liability of entities for the crimes contemplated by this legislation (and as subsequently amended). The Supervisory Body reported on the activity performed during the year ended 31 December 2021, without finding any wrongdoing or specific violations of the Company's and the subsidiaries' Organisational Model.
As noted, PricewaterhouseCoopers S.p.A. audited the Company's separate Financial Statements for the year ended 31 December 2021 and on today's date it submitted an unqualified opinion, stating that the Company's separate Financial Statements "give a true and fair view of the financial position of Marcolin S.p.A. as at 31 December 2021, and of its financial performance and its cash flows for the year then ended". The Independent Auditors also stated that the report on operations is consistent with the separate Financial Statements of the Company. The Board of Statutory Auditors performed its supervisory function with the full collaboration of the corporate boards and adequate documentation was always provided. No omissions, wrongdoing or irregularities were found.
We checked the accounting policies of the separate Financial Statements, upon which we agree that they correspond to the Italian Civil Code rules and are consistent with those applied in the previous year.
Intangible assets were recognised and amortised with our consent, as necessary. Regarding the recognition of goodwill (186.2 million euro), it is noted that the value of this item was, as customary, subject to an impairment test. In this regard, the Board of Statutory Auditors underlines that the Explanatory Notes to the Financial Statements clarify that the impairment test, expressly approved by the Board of Directors at its meeting of 17 March 2022, is based on the 2022-2026 business plan and that the 2022 forecasts are those of the year's budget approved by the Board of Directors on 24 January 2022. The Company met with the independent auditors in regard to these assumptions of the Board of Directors, and they agreed upon the reasonableness of such assumptions.
On 17 March 2022, the Board of Directors of MARCOLIN S.p.A. approved the draft consolidated Financial Statements of the MARCOLIN Group for the year ended 31 December 2021; those Financial Statements, drawn up according to IAS/IFRS, were also audited by PricewaterhouseCoopers S.p.A., which issued a clean opinion on the true and fair view of the financial position, results of operations and cash flows of the group.
The Independent Auditors stated that the report on operations is consistent with the consolidated Financial Statements of MARCOLIN S.p.A. As within our competence, we acknowledge that the Directors' report on the consolidated Financial Statements adequately describes the situation of the companies of the group, the financial and business matters, the subsequent events, the annual business performance and the business outlook for the current year.
We reviewed the report to verify compliance with Article 40 of Italian Legislative Decree 127/1991, the correct identification of the consolidated companies in accordance with the international accounting standards, and the information as per Article 39 of the same Decree.
Based on the controls performed, the Board of Statutory Auditors considers the report on operations to be correct and consistent with the consolidated Financial Statements.
The Notes to the Financial Statements contain the information required by the international accounting standards, present the accounting principles and policies adopted, and present the consolidation methods, which correspond to those used for the previous year. Goodwill (287,7 million euro) was recognised in the same manner as for the separate Financial Statements.
No claims were made to the Board of Statutory Auditors under Article 2408 of the Italian Civil Code or of any other nature.
During the year, we issued the opinions requested of the Board of Statutory Auditors in accordance with the law.

In consideration of the foregoing - pursuant to the supervisory activity performed, and on the basis of the information exchanged with the Independent Auditors, we are in favour of the approval of the Financial Statements closed as at 31 December 2021 and we agree with the Board of Directors' proposal for the allocation of the profit for the year. We also kindly remind the Company with Sole Shareholder that, with the approval of the financial statements relating to the year ended 31 December 2021, the respective mandates of the Board of Statutory Auditors and the Board of Directors currently in office expire. We would like to end by thanking you for the trust you have placed in us, and we kindly invite you to take the appropriate resolutions to appoint the new corporate bodies.

7 April 2022.

Dott. David Reali

Dott. Mario Cognigni

Rag. Diego Rivetti

# SUMMARY OF GENERAL MEETING RESOLUTIONS

## SUMMARY OF GENERAL MEETING RESOLUTIONS

The Shareholders' Meeting, convened in the first instance on 28 April 2022, resolved:

- to approve the Company's Financial Statements and Management Report as at 31 December 2021, as well as the Marcolin Group's Consolidated Financial Statements as at 31 December 2021 and the related Management Report;

- to allocate the Company's profit for the year, totalling 106,897,967 euro, as follows:

    1. to the Legal Reserve in the amount of 743,433 euro, which allowed this reserve to reach the maximum allowed by Article 2430 of the Italian Civil Code, equal to one fifth of the value of the share capital;
    2. to cover losses carried forward from previous financial years in the amount of 37,687,673 euro;
    3. to carry forward the residual component in the amount of 68,466,861 euro.

Milan, 28 April 2022

for the Board of Directors

the Chairman
Signed: Vittorio Levi

MARCOLIN
EYEWEAR