IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“**QIBs**”) WITHIN THE MEANING OF RULE 144A (“**RULE 144A**”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**U.S. SECURITIES ACT**”) OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“**REGULATION S**”) UNDER THE U.S. SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) purchasing the securities in an offshore transaction outside the United States in reliance on Regulation S. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you will be deemed to have represented to us that: (1) you consent to delivery of such offering memorandum by electronic transmission, and (2) either: (a) you and any customers you represent are QIBs, or (b) you are a non-U.S. person outside the United States and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States (as defined in Regulation S) and if you are resident in a member state of the European Union, you are a qualified investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering memorandum to any other person.

You may not transmit this offering memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the explicit consent of the Initial Purchasers (as defined hereinafter). If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Under no circumstances shall this offering memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or affiliate on behalf of Marcolin S.p.A. in such jurisdiction.

This offering memorandum has been prepared on the basis that any offer of the Notes in any Member State of the European Economic Area (each, a "**Relevant Member State**") that has implemented the Prospectus Directive will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Notes which are the subject of the offering contemplated in this offering memorandum, must only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to produce a prospectus pursuant to Article 3 of the Prospectus Directive. Neither of the Issuer or the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of Notes contemplated in this offering memorandum. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto) and includes any relevant implementing measure in the Relevant Member State.

The offering memorandum has not been submitted to the *Commissions Nazionale per le Società e la Borsa,* the Italian securities regulator ("**CONSOB**"), for clearance and will not be subject to formal review or clearance by the CONSOB pursuant to the Italian securities legislation. The notes may not be offered, sold or delivered, directly or indirectly, nor may copies of the following offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except: (1) to qualified investors *(investitori qualificati)* as defined by Article 26, first paragraph, letter d) of the CONSOB Regulation No. 16190 October 29, 2007, as amended, pursuant to Article 100 of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Securities Act**") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended ("**CONSOB Regulation on Issuers**"); or (2) in other circumstances which are exempted from the rules on offerings of securities pursuant to the Italian Securities Act and/or CONSOB Regulation on Issuers.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers, nor any person who controls any of them, nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

The information in this offering memorandum is not complete and may be changed. This offering memorandum is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.

OFFERING MEMORANDUM

CONFIDENTIAL
NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Marcolin S.p.A.
€250,000,000
Senior Secured Floating Rate Notes due 2023

Marcolin S.p.A., incorporated as a joint stock company (*societá per azioni*) under the laws of the Republic of Italy (the "**Issuer**"), is offering (the "**Offering**") €250,000,000 aggregate principal amount of its Senior Secured Floating Rate Notes due 2023 (the "**Notes**"). The Notes will be issued pursuant to an indenture (the "**Indenture**") dated February 10, 2017 (the "**Issue Date**") by and between, *inter alios*, the Issuer, the Guarantors (as defined below), The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**") and UniCredit Bank AG, Milan Branch as security agent (the "**Security Agent**").

The Notes will bear interest equal to the sum of (i) three-month EURIBOR (with a 0% floor) plus (ii) 4.125% per annum, reset quarterly. Interest will be payable on the Notes quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on May 15, 2017. The Notes will mature on February 15, 2023. Prior to February 15, 2018, the Issuer may, at its option, redeem all or a portion of the Notes at a redemption price equal to 100% of the amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, plus the applicable "make-whole" premium, as described herein. At any time on or after February 15, 2018, the Issuer may redeem all or a portion of the Notes at par. If the Issuer undergoes certain events constituting a change of control or sells certain assets, the Issuer may be required to offer to repurchase the Notes. See "*Description of the Notes*" for further information.

Within ten business days of the Issue Date, the Notes will be secured on a first-ranking basis by the Collateral (as defined herein).

The Notes will be senior obligations of the Issuer. The Notes will rank equal in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the obligations of the Issuer under the New Revolving Credit Facility Agreement (as defined herein) and will rank senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes. The due and punctual payment of certain amounts due and payable in respect of the Notes will be guaranteed (the "**Guarantees**") by Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (each as defined hereinafter) (the "**Guarantors**"). The Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

The New Revolving Credit Facility (as defined herein) will be secured by security interests granted over the same Collateral that secures the Notes, as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets.

Under the terms of the Intercreditor Agreement (as defined herein), the lenders under the New Revolving Credit Facility and the counterparties to certain hedging obligations will receive priority to the proceeds from the Collateral in the event of any enforcement. See "*Description of the Notes—Security*." Subject to the terms of the Indenture, the Collateral may be pledged to secure certain future indebtedness. The Notes, the Guarantees and the assets securing the Notes and the Guarantees will be subject to restrictions on enforcement and other intercreditor arrangements. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Collateral will be subject to the Agreed Security Principles (as defined herein) and limitations under applicable law, and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Subject to and as set forth in "*Description of the Notes*," the Issuer will not be liable to pay any Additional Amounts (as defined herein) to holders of the Notes in relation to, among other things, any withholding or deduction required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) where the Notes are held by a person resident in a country that does not allow for satisfactory exchange of information with Italy (as per Italian Ministerial Decree dated September 4, 1996, as amended or supplemented) and otherwise in circumstances as described in "*Description of the Notes—Withholding Taxes*."

This offering memorandum (the "**Offering Memorandum**") includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, guarantees, covenants, events of default and offering and transfer restrictions.

There is currently no market for the Notes. The Issuer has applied to list the Notes offered hereby on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes will be represented on issue by one or more global notes, which will be delivered through Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream Banking**") on or about the Issue Date. See "*Book-Entry, Delivery and Form*."

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 26.

Price: 100.0% plus accrued interest, if any, from the Issue Date

The Notes and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to certain non-U.S. persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act. See "*Plan of Distribution*" and "*Offering and Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **Deutsche Bank** **UniCredit Bank**

The date of this Offering Memorandum is February 3, 2017.

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NOTICE TO INVESTORS

This Offering Memorandum is confidential. The Issuer has prepared this Offering Memorandum solely for use in connection with the proposed offering of the Notes. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Issuer's prior written consent, is prohibited. By accepting delivery of this Offering Memorandum, you agree to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG (the "**Initial Purchasers**"), The Law Debenture Trust Corporation p.l.c. (the "**Trustee**") and the Agents (as defined hereinafter) make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this Offering Memorandum. Nothing contained in this Offering Memorandum is or should be relied upon as a promise or representation by the Initial Purchasers as to the past or the future. You agree to the foregoing by accepting receipt of this Offering Memorandum.

Except as provided below, we accept responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled *"Book-Entry, Delivery and Form,"* is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While the Issuer accepts responsibility for accurately extracting and summarizing the information concerning Euroclear and Clearstream, the Issuer does not accept further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Issuer. The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer imply those things by delivering this Offering Memorandum or selling Notes to you. References to any website contained herein do not form a part of this Offering Memorandum.

By accepting delivery of this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You further agree to the foregoing restrictions, to make no photocopies of this Offering Memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You may not use any information herein for any purpose other than considering an investment in the Notes.

The Issuer reserves the right to withdraw this offering of the Notes at any time. The Issuer and the Initial Purchasers reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or for no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

This Offering Memorandum is not an offer to sell the Notes and it is not soliciting an offer to buy any Notes in any jurisdiction in which such offer or sale is not permitted.

The distribution of this Offering Memorandum and the offer and sale of the Notes may, in certain jurisdictions, be restricted by law. None of the Issuer or the Initial Purchasers represent that this Offering Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. None of the Issuer or the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements. In particular, no action has been taken by any of the Issuer or the Initial Purchasers which would permit a public offering of any Notes or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. Persons into whose possession this Offering Memorandum or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States and the United Kingdom and to persons connected therewith. See *"Notice to Investors."* We do not make any representation to you that the Notes are a legal investment for you.

We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. In the course of any review by the competent authority, we may be required (under applicable law, rules, regulations or guidance applicable to the listing of securities or otherwise) to make certain changes or additions to or deletions from the description of our business, financial statements and other information contained herein in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information in the listing particulars. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects since the publication of this Offering Memorandum. We cannot guarantee that such application for the admission of the Notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Following the listing, the relevant listing particulars will be available at the offices of the Listing Agent (as defined hereinafter). Any investor or potential investor in the European Economic Area (the "**EEA**") should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

This Offering Memorandum will be available on the website of the Luxembourg Stock Exchange.

Stabilization

IN CONNECTION WITH THE OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON THEIR BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER HAS RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to Investors in the United States

This Offering Memorandum is being (1) submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted. In making any purchase of Notes, you will be deemed to have made certain acknowledgments, representations and agreements as stated elsewhere in this Offering Memorandum.

For the Offering, the Issuer and the Initial Purchasers are relying upon exemptions from registration under the U.S. Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the U.S. Securities Act. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale. Purchasers of the Notes may not transfer or resell the Notes except as permitted under the U.S. Securities Act and applicable U.S. state securities laws. See "*Notice to Investors*."

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

Notice to Certain European Investors

European Economic Area. This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as amended, as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us or the Initial Purchasers to produce a prospectus for such offer. Neither we nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum. The expression "**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and amendments thereto (including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State (as defined below). The expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), including each Relevant Member State that has implemented the 2010 PD Amending Directive, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer is not being made and will not be made to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum to the public in that Relevant Member State, other than:

(a) to any legal entity that is a "**qualified investor**" as defined in the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or the Initial Purchasers nominated by us for any such offer); or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require us or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. We, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement. Notwithstanding the above, a person who is not a "qualified investor" and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

United Kingdom. The applicable provisions of the United Kingdom Financial Services and Markets Act 2000 (the "**FSMA**") must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net-worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "**qualified investors**" as defined in Article 2 of the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

Republic of Italy. The Offering has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except (a) to qualified investors *(investitori qualificati)* as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("**Regulation No. 16190**"), pursuant to Article 34-ter, first paragraph letter (b) of CONSOB Regulation No. 11971 of May 14,1999, as amended (the "**Issuer Regulation**"), implementing Article 100 of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**"); and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and the implementing CONSOB regulations, including the Issuer Regulation.

Each Initial Purchaser has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Italian Legislative Decree No. 385 of September 1,1993, Regulation No. 16190 (in each case, as amended from time to time) and any other applicable laws and regulations;

(b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other relevant Italian authorities.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

For selling restrictions in respect of Italy, see also "*Notice to Certain European Investors—European Economic Area*" above.

France. This Offering Memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France *(offre au public de titres financiers)* within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général de l'Autorité des marchés financiers* (the French Financial Markets Authority) (the "**AMF**"). This Offering Memorandum has not been approved by, registered or filed with the AMF, nor any competent authority of another Member State of the EEA that would have notified its approval to the AMF under the Prospectus Directive as implemented in France and in any Relevant Member State. Consequently, the Notes may not be, directly or indirectly, offered or caused to be offered or sold to the public in France, and neither this Offering Memorandum nor any offering or marketing materials or information relating to the Notes has been and will be made available, released, issued or distributed or caused to be made available, released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France in any way that would constitute, directly or indirectly, an offer to the public in France.

Offers, sales and distributions have only been and shall only be made in France to qualified investors (*investisseurs qualifies*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties *(personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers),* all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* and applicable regulations thereunder.

Prospective investors are informed that:

(1) this Offering Memorandum has not been and will not be submitted for clearance to the AMF;

(2) in compliance with Articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, any qualified investors subscribing for the Notes should be acting for their own account; and

the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Germany. The Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may not be offered and sold in the Federal Republic of Germany except in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "**German Securities Prospectus Act**"), as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2014 as amended, and any other laws applicable in Germany. This Offering Memorandum has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**"). BaFin has not obtained and will not obtain a notification from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this Offering Memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

Notice to Canadian Investors

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations.* Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum, see "*Offering and Transfer Restrictions*."

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. These forward- looking statements include, but are not limited to, all statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, our future financial conditions and performance, results of operations and liquidity, our strategy, plans, objectives, prospects, growth, goals and targets, future developments in the markets in which we participate or are seeking to participate, behavior of and trends with our customers and end-users of our products, and anticipated regulatory environment in which we operate. These forward-looking statements can be identified in some cases by the use of certain terms, including without limitation, "aim," "anticipate," "assume," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "project," "risk," "should," "will," and their negatives, other similar expressions or other variations or comparable terminology that are predictions of or otherwise indicate future events or trends identify forward- looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. Forward-looking statements are not guarantees of future performance. These risks, uncertainties and factors may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performances or achievements). Factors that may cause these differences include but are not limited to the risks described under "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*." These factors include, but are not limited to:

- royalties and other license fees required pursuant to our license agreements;
- our ability to negotiate, maintain and renew license agreements with our brands;
- the loss of one of our key license agreements;
- competition in our industry;
- risks related to changing consumer preferences;
- an inability to achieve our operating and strategic objectives;
- risks related to unfavorable economic and political conditions;
- the potential negative effects of the United Kingdom's pending withdrawal from the European Union;
- adverse developments in sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states;
- exchange rate fluctuations;
- risks related to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanctions programs;
- disruptions of operations at our manufacturing facilities or distribution centers or problems experienced by third-party manufacturers or suppliers;
- risks related to vision correction alternatives to prescription glasses;
- inability to procure raw materials and semi-finished products on acceptable terms;
- risks related to our distribution network and level of inventory;
- the seasonality of our business;
- risks related to the international scope of our operations;
- risks related to changing environmental laws and regulations;
- risks related to the use of third-party distributors;
- risks related to tax rates, exposure to additional tax liabilities and tax audits;
- risk of liability and costs in connection with asbestos-containing materials at certain of our facilities;
- pursuing acquisitions or business combinations that prove unsuccessful or strain or divert our resources;
- the need to protect our license and trademark rights;
- risks related to our advertising and promotional activities;

- risks related to diverting cash flow into required capital expenditures;
- risks related to our exposure to the credit risk of our customers;
- risks related to rising employment costs;
- risks related to our dependence on our IT systems;
- risks related to limits on insurance;
- risks related to attrition among key employees and management;
- risks related to compliance with anti-competition laws;
- risks related to litigation;
- risks related to labor disruptions;
- risks related to certification standards set by third party industry bodies;
- risks related to our participation in joint venture agreements;
- a failure to satisfy the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation;
- risks related to our capital structure;
- risks related to our indebtedness;
- risks related to the Notes, the Guarantees and the Collateral; and
- the other risks described under "*Risk Factors*."

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. We urge you to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*," "*Business*" and "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for a more complete discussion of the factors that could affect the Group's future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under "*Risk Factors*."

You should not place undue reliance on these forward-looking statements because they reflect our judgment at the date of this Offering Memorandum. Forward-looking statements are not intended to give any assurances as to future results. We will not normally publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this Offering Memorandum or otherwise.

INDUSTRY AND MARKET DATA

Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, and we instead rely on our own internally developed estimates.

We include in this Offering Memorandum certain information and data prepared and published in January 2017 by Taiyou Research from Marketresearch.com ("**Taiyou Research**") on the size of the sunglasses and prescription frames markets both on a historical and forecast basis. Taiyou Research reports on the size of the global retail market for prescription frames and sunglasses as a whole, for certain sub-categories within those markets and by geography.

In addition, we have made estimates of the size, geographic spread and success of our competitors' businesses in the market for prescription frames and sunglasses, and of market trends more generally. These estimates are based on a number of factors which include, but are not limited to, the following:

- our assessment of our competitors' brand portfolios, positions and capabilities;
- information published by our competitors, including their financial statements and securities filings;
- our estimates of the relative proportion that sales of prescription frames and sunglasses constitute of our competitors' businesses;
- additional information obtained from customers, consultants and other contacts within the industries in which we operate;
- our regular discussions with customers across our product categories in respect of current and future market trends;
- our knowledge of the product categories and geographies in which we operate; and
- our management estimates, experiences and our own interpretation of material conditions within our industry.

Our estimates involve risks and uncertainties and are subject to change based on various factors. In considering the industry and market data included in this Offering Memorandum, prospective investors should note that this information is subject to considerable uncertainty due to differing definitions of the relevant markets and market segments described, the lack of public data and the assumptions we have made in compiling data from various sources. Any third party sources we use, including the data provided by Taiyou Research, generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions that we have made in compiling this data are accurate or correctly reflect our position in the relevant markets. None of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the foregoing has independently verified this information and cannot guarantee its accuracy. Unless otherwise stated, data on our market position and market share is based on net revenues for the year ended December 31, 2015. Our estimates involve risks and uncertainties and are subject to change based on various factors. See "*Risk Factors*," "*Industry Overview*" and "*Business*" for further discussion.

Trademarks and Trade Names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its respective holder.

License Duration and Average License Duration

In this Offering Memorandum, we refer to license duration, average license duration as of December 31, 2016, average length of license relationship with our top ten brands by net revenues upon the expiration of the current license and percentage of net revenues generated for the year ended December 31, 2015 by products under licenses with at least six years of residual life (beyond 2023). In each case, we assume both that we have satisfied the conditions for the automatic renewal of our one license subject to such automatic renewal and that we have exercised our options to renew the relevant licenses that can be renewed at our sole discretion. Based on such assumptions, our average license duration as of December 31, 2016 was 8.3 years, the average license relationship with our top ten brands by net revenues upon the expiration of the current license was 19 years and the percentage of net revenues generated for the year ended December 31, 2015 by products under licenses with at least six years of residual life was 63.6%. Assuming, instead, that we do not satisfy the conditions for the automatic renewal of our one license subject to such automatic renewal; our average license duration as of December 31, 2016 was 7.1 years. The average license relationship with our top ten brands by net revenues upon expiration of the current license was 18.5 years and the percentage of net revenues generated for the year ended December 31, 2015 by products under licenses with at least six years of residual life was 40.6%. In addition, average license duration as presented in this Offering Memorandum refers to the weighted average taking into account the net revenues for the year ended December 31, 2015 of each such license.

CERTAIN DEFINITIONS

As used in this Offering Memorandum:

- "**3Cime**" refers to 3 Cime S.p.A., a joint stock company (*società per azioni*) organized under laws of Italy, the direct parent company of Marmolada and the issuer the Vendor Loan Note;
- "**Agents**" refers to the Paying Agent, the Transfer Agent, the Calculation Agent, the Registrar, the Luxembourg Listing Agent and the Security Agent, collectively, as each institution is identified under "*Listing and General Information*";
- "**Aviator**" refers to a style of sunglasses first developed by Ray-Ban in 1936 for pilots that consist of broad, dark, reflective slightly convex lenses that cover the entire range of the human eye with thin metal frames, often with double or triple bridge and bayonet earpieces;
- "**Collateral**" refers to the first-ranking security interests, subject to the provisions of the Intercreditor Agreement and applicable law, which will, within ten business days of the Issue Date be granted to secure the Notes and the Issuer's obligations under the New Revolving Credit Facility Agreement, and consisting of (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by Marmolada, which will constitute (a) 100% of the share capital of the Issuer on the Issue Date and (b) no less than (x) 90% of the share capital of the Issuer following the Marcolin Capital Increase or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans;
- "**CONSOB**" refers to the *Commissione Nazionale per le Società e la Borsa*, the Italian securities and financial markets regulator;
- "**Cristallo**" refers to Cristallo S.p.A., the former direct parent company of the Issuer that merged with and into the Issuer on October 29, 2013;
- "**EU**" refers to the European Union;
- "**Euro**" or "**€**" to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "**Eurozone**" refers to the member states of the EU participating in the European Monetary Union;
- "**Existing 2019 Notes**" refers to the Issuer's €200,000,000 8.50% senior secured notes due 2019, issued on November 7, 2013;
- "**Existing Proceeds Loan**" refers to the loan by the Issuer to M-USA (now Marcolin USA) of certain of the proceeds from the offering of the Existing 2019 Notes and amounts paid to the Issuer by Marmolada by way of an equity capital injection, as amended on or about the Issue Date, and that will remain outstanding following the Refinancing (see "*Description of Certain Financing Arrangements—Intercompany Loans*") ;
- "**Existing Revolving Credit Facility**" refers to the revolving credit facility available pursuant to the terms of the Existing Revolving Credit Facility Agreement, to be terminated and replaced by the New Revolving Credit Facility available under the New Revolving Credit Facility Agreement;
- "**Existing Revolving Credit Facility Agreement**" refers to the Group's revolving credit facility agreement dated November 14, 2013, to be terminated and replaced on or prior to the Issue Date by the New Revolving Credit Facility Agreement;
- "**Group**," "**us**," "**we**," "**our**" and "**Marcolin**" refers to Marcolin S.p.A. and its Subsidiaries, unless as indicated or the context requires otherwise;
- "**Guarantees**" refers to the guarantees of the Notes offered hereby to be extended by the Guarantors;
- "**Guarantors**" refers to Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany;
- "**HVHC**" refers to HVHC Inc., a corporation organized under the laws of the State of Delaware, and the seller in the Viva Acquisition;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;
- "**Indenture**" refers to the indenture related to the Notes to be dated the Issue Date between, among, *inter alios*, the Issuer, the Guarantors, the Trustee and Security Agent;
- "**Initial Purchasers**" refers to Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch and UniCredit Bank AG;

- "**Intercreditor Agreement**" refers to the intercreditor agreement dated on or about the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the Trustee, the Security Agent and the Mandated Lead Arrangers (see "*Description of Certain Financing Arrangements—Intercreditor Agreement*");
- "**Issue Date**" refers to the date of original issuance of the Notes;
- "**Issuer**" refers to Marcolin S.p.A.;
- "**Italian Civil Code**" refers to the Italian civil code (*codice civile*), enacted by Italian Royal Decree No. 22 of March 16, 1942, as subsequently amended and supplemented from time to time;
- "**Italy**" refers to the Republic of Italy;
- "**LVMH**" refers to LVMH Moët Hennessy Louis Vuitton SE, a European public company (*societas Europaea*) organized under the laws of the European Union;
- "**M/L JV**" refers to the joint venture between the Issuer and LVMH, to be organized as a joint stock company (*società per azioni*) under the laws of Italy, in which the Issuer is a minority shareholder;
- "**M/L JV Formation**" has the meaning described under *"Summary—Recent Developments—Joint Venture with LVMH"*;
- "**M/L JVA**" refers to the joint venture agreement by and between the Issuer and LVMH dated as of January 31, 2017;
- "**MAG**" refers to the minimum annual guaranteed amount payable by a licensee to a licensor under a license agreement;
- "**Made in Italy**" refers to products that are compliant with applicable EU and Italian law and can carry the *Made in Italy* label indicating that they were entirely produced in Italy or their last significant transformation occurred in Italy;
- "**Mandated Lead Arrangers**" refers to Credit Suisse International, Deutsche Bank AG, London Branch and UniCredit S.p.A.;
- "**Marcolin do Brasil**" refers to Marcolin do Brasil Ltda, a company incorporated under the laws of Brasil;
- "**Marcolin Capital Increase**" refers to the capital increase of the Issuer of 6,828,708 new Class B shares, to be subscribed to by LVMH for €21.9 million and undertaken in connection with the M/L JV Formation;
- "**Marcolin France**" refers to Marcolin France S.A.S., a simplified joint stock company (*société par actions simplifiée*) organized under the laws of France;
- "**Marcolin Germany**" refers to Marcolin (Deutschland) GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany;
- "**Marcolin Group**" refers to the Issuer and its Subsidiaries, unless the context requires otherwise or is clear from the context, *provided, however,* that the term excludes the former Viva Group prior to the completion of the Viva Acquisition and includes Cristallo for certain historical periods prior to the merger of Cristallo with and into the Issuer;
- "**Marcolin Technical Services**" or "**MTS**" refers to Marcolin Technical Services (Shenzhen) Co. Ltd., a limited company organized under the laws of the People's Republic of China;
- "**Marcolin UK**" refers to Marcolin (UK) Ltd, a private limited company incorporated under the laws of England;
- "**Marcolin USA**" refers to Marcolin U.S.A. Eyewear Corp., a corporation organized under the laws of the State of New Jersey, previously named Viva Optique Inc., each of Marcolin USA, Inc., Viva Europa, Inc., Viva International, Inc. and Viva IP, Corp. were merged with and into Marcolin USA on January 1, 2015;
- "**Marmolada**" refers to Marmolada S.p.A., a joint stock company (*società per azioni*) organized under the laws of Italy and the direct parent holding company of the Issuer;
- "**M-USA**" refers to Marcolin USA, Inc., a corporation formed under the laws of the state of New York, and merged with and into Marcolin USA on January 1, 2015;

- "**New Revolving Credit Facility**" refers to the revolving credit facility available pursuant to the terms of the New Revolving Credit Facility Agreement, and replacing the Existing Revolving Credit Facility;
- "**New Revolving Credit Facility Agreement**" refers to the revolving credit facility agreement that will be entered into on or before the Issue Date between, *inter alios*, the Issuer, the RCF Agent, the Mandated Lead Arrangers and the Security Agent (see "*Description of Certain Financing Arrangements—New Revolving Credit Facility*");
- "**Non-Guarantor Subsidiaries**" refers to those Subsidiaries of the Issuer that are not Guarantors;
- "**North America**" refers to the United States and Canada, collectively;
- "**Notes**" refers to the €250,000,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2023 offered hereby;
- "**Offering**" refers to the offering of the Notes pursuant to this Offering Memorandum;
- "**PAI**" refers to PAI Partners S.A.S., a major European private equity firm that manages and advises buyout funds with combined commitments in excess of approximately €7.9 billion;
- "**PAI/LVMH Shareholders' Agreement**" refers to the shareholders' agreement between, *inter alia*, LVMH, PAI and Tofane S.A. (an indirect holding company of the Issuer) entered into on January 31, 2017, in connection with the execution of the M/L JVA;
- "**POS**" refers to points of sale where sales of eyewear are made (e.g., independent optician, optical chain, duty-free store, department store and licensed brand store);
- "**RCF Agent**" refers to UniCredit Bank AG, Milan Branch in its capacity as agent under the New Revolving Credit Facility;
- "**Refinancing**" has the meaning described under "*Summary—The Refinancing*";
- "**Security Agent**" refers to UniCredit Bank AG, Milan Branch in its capacity as security agent under the Indenture and the New Revolving Credit Facility;
- "**Security Documents**" means the security agreements defining the terms of the Collateral that secure or will secure the Notes and the Guarantees, as described in more detail under "*Description of the Notes—Security*";
- "**Subsidiaries**" refers to all consolidated subsidiaries of the Issuer;
- "**Transactions**" refers to, collectively, the Refinancing, the Vendor Loan Note Repayment, the Marcolin Capital Increase and the M/L JV Formation;
- "**Trustee**" refers to The Law Debenture Trust Corporation p.l.c., in its capacity as trustee, legal representative (*mandatario con rappresentanza*) under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code and as representative (*rappresentante*) pursuant to and for the purposes set forth under Article 2414-*bis*, paragraph 3, of the Italian Civil Code;
- "**United States**" or "**U.S.**" refers to the United States of America;
- "**U.S. dollar**", "**$**", "**dollar**", "**U.S.$**" refers to the lawful currency of the United States;
- "**U.S. GAAP**" refers to generally accepted accounting practices in the United States;
- "**U.S. GAAS**" refers to generally accepted auditing standards in the United States;
- "**U.S. Securities Act**" refers to the U.S. Securities Act of 1933, as amended;
- "**Vendor Loan Note**" refers to the unsecured and unguaranteed note issued by 3Cime and subscribed by HVHC in an amount of $30.0 million, used to partially finance the Viva Acquisition, which will be repaid;
- "**Vendor Loan Note Repayment**" has the meaning described under "*Summary—Recent Developments—Vendor Loan Note Repayment*";
- "**Viva**" refers to Viva Optique, Inc., a corporation organized under the laws of the State of New Jersey, whose name was changed to Marcolin USA Eyewear Corp. on January 1, 2015;
- "**Viva Acquisition**" refers to the acquisition by M-USA of 100% of the share capital of Viva by M-USA and Marmolada pursuant to the Viva Acquisition Agreement, which was completed on December 3, 2013 (Marmolada subsequently assigned its rights and obligations under the Viva Acquisition Agreement to 3Cime);

- “**Viva Acquisition Agreement**” refers to the share purchase agreement by and between M-USA and Marmolada, as acquirers, and HVHC, as seller, dated as of October 23, 2013, pursuant to which M-USA and Marmolada purchased 100% of the share capital of Viva from HVHC (Marmolada subsequently assigned its rights and obligations under the Viva Acquisition Agreement to 3Cime);
- “**Viva Acquisition Deferred Payment**” refers to the $3.0 million payment to HVHC on December 9, 2016 in respect of the final installment of the deferred payment to HVHC as part of the Viva Acquisition (translated into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016);
- “**Viva Europa**” refers to Viva Europa, Inc., a corporation organized under the laws of the State of New Jersey, and merged with and into Marcolin USA on January 1, 2015;
- “**Viva Group**” refers to Viva and its subsidiaries prior to the Viva Acquisition;
- “**VRA**” refers to the variable royalty amounts, which can be based on a percentage of net sales, some of which are subject to a minimum, which are payable by a licensee to a licensor under a license agreement.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Issuer

The Issuer's consolidated financial information included in this Offering Memorandum has been extracted or derived from:

(i) the unaudited interim condensed consolidated financial statements of the Issuer and its Subsidiaries as of September 30, 2016 and for the nine months ended September 30, 2015 and 2016, prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" (the "**Unaudited Interim Condensed Consolidated Financial Statements**"); and

(ii) the audited consolidated financial statements of the Issuer and its Subsidiaries as of and for the years ended December 31, 2013, 2014 and 2015, prepared in accordance with IFRS, audited by PricewaterhouseCoopers S.p.A. (the "**Audited Consolidated Financial Statements**") and containing the auditors' reports therein.

We completed the Viva Acquisition on December 3, 2013 and began consolidating the results of the Viva Group at and from that date. As a result, the Issuer's consolidated income statement and cash flow statement for the year ended December 31, 2013 (when the results of the Viva Group were only consolidated with the results of the Issuer for approximately one month) are not directly comparable to those for the year ended December 31, 2014 (when the results of the Viva Group were consolidated with the results of the Issuer for the entire period).

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements are included in the F-Pages to this Offering Memorandum.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the nine months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Adjusted Information

We present in this Offering Memorandum certain financial information on an adjusted basis, to give effect to the Refinancing, as if the Refinancing had occurred on September 30, 2016, or October 1, 2015, as the context requires (the "***Adjusted* Information**"). See "*Summary Historical Consolidated Financial Information and Other Data*" and "*Capitalization*," and for a description of the *pro forma* effect of the Refinancing, including the issuance of the Notes offered hereby and the application of the proceeds thereof, see "*Use of Proceeds*."

The *Adjusted* Information set forth elsewhere in this Offering Memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive or any generally accepted accounting standard, including U.S. GAAP. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The *Adjusted* Information should be read in conjunction with the historical consolidated financial statements and notes thereto of the Issuer, included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Twelve Months Ended September 30, 2016

The summary financial information for the twelve months ended September 30, 2016 is calculated by taking the results of operations of the Issuer for the nine months ended September 30, 2016 and adding to it the difference between the results of operations of the Issuer for the full year ended December 31, 2015 and the nine months ended September 30, 2015. The financial information for the twelve months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Non-IFRS Information

This Offering Memorandum includes financial indicators which are used by our management to monitor the economic, financial and operating performance of the Group, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net Indebtedness, total financial debt, Capital Expenditure, Movements in Trade Working Capital, Movements in Working Capital and Operating Free Cash Flow.

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net Indebtedness, total financial debt, Capital Expenditure, Movements in Trade Working Capital, Movements in Working Capital and Operating Free Cash Flow are not recognized as measures of financial performance or liquidity under IFRS. Investors should not place any undue reliance on these non-IFRS, measures as financial indicators and should not consider these measures as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of the Issuer and its business and operations. Since all companies do not calculate these measures in an identical manner our presentation may not be consistent with similar measures used by other companies. In addition, the presentation of this non-IFRS information is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission (the "**SEC**") and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information. Therefore, investors should not place undue reliance on this data.

EBITDA and Adjusted EBITDA are not measurements of performance under IFRS and you should not consider them as an alternative to profit/(loss) before taxes or profit/(loss) for the period determined in accordance with IFRS, or, as the case may be, or to cash flows from/(used in) operating activities, cash from/(used in) investing activities or cash flow from/(used in) financing activities. EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation. Some of these limitations are:

- they do not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant financial expense, or the cash requirements necessary, to service interest or principal payments on our indebtedness;
- although depreciation, amortization and write-offs are non-monetary items, the assets being depreciated, amortized and/or written-off will often need to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements that would be required for such replacements; and
- the fact that other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do, which limits their usefulness as comparative measures.

A more detailed explanation of each of the financial indicators and non-IFRS measures together with relevant reconciliations is provided in section "*Selected Historical Consolidated Financial and Other Information*."

Geographic Information

In this Offering Memorandum, we present certain Group financial and business information by the following geographical divisions:

- *Americas*: Which includes North, Central and South America;
- *Europe*: Which is itself subdivided between:
  - *Italy*; and
  - *Rest of Europe*: Which primarily includes Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom;
- *Asia*: Which includes China, South Korea and the rest of the Asia Pacific region; and
- *Rest of World*: Which includes all countries and regions not covered in the above divisions, and primarily the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

The geography of sale is attributed to the geographical area of the destination market. For example, all sales by the Issuer or a Subsidiary into Japan are attributed towards sales for the geographical area "Asia," regardless of which Group company initiated the sale. Prior to 2016, the Group, in its financial statements, presented net revenues based on the geography of the relevant parent or commercial subsidiary that generated the net revenues, including to buyers located in a different geographical area. Management believes that presenting net revenues based on the geographical area of the destination market provides better information for understanding the underlying trends and factors affecting the Group's net revenues.

The net revenues by geography included in this Offering Memorandum have been restated to present information consistently throughout the periods based on the geographic destination and therefore differ from the analysis provided in the Audited Consolidated Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Line Items and Certain Key Performance Indicators—Net Revenues.*"

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands have been subject to rounding adjustments, and as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

Constant Currency Information

This Offering Memorandum includes information on a constant currency basis. We use this information to assess how the underlying business has performed independent of fluctuations in foreign currency exchange rates. We calculate constant currency by applying the prior-period average foreign currency exchange rates to the current-period financial data expressed in the original currency, in order to eliminate the effect of foreign currency exchange rate fluctuations. Although we do not believe that these measures are a substitute for GAAP measures, we do believe that such results excluding the effect of foreign currency fluctuations provide additional useful information to investors regarding the operating performance on a local currency basis. For example, if a U.S. entity with U.S. Dollar functional currency recorded net revenues of U.S. $100 million for 2015 and 2014, we would have reported €90.1 million in net revenues for 2015 (using the 2015 average exchange rate of 1.1096), representing a €14.9 million increase compared to €75.3 million reported for 2014 (using the 2014 average exchange rate of 1.3285). The constant currency presentation would translate the 2015 net revenues using the 2014 foreign currency exchange rates, and therefore indicate that the underlying net revenues on a constant currency basis was unchanged year-over-year.

EXCHANGE RATE INFORMATION

In this Offering Memorandum:

- "**$**", "**dollar**," "**U.S.$**" or "**U.S. dollar**" refers to the lawful currency of the United States;
- "**€**" or "**euro**" refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on February 2, 2017 was $1.0758 per €1.00.

	U.S. dollar per €1.00			
	Period end	**Average[(1)]**	**High**	**Low**
Year ended December 31,				
2013	1.3764	1.3282	1.3808	1.2793
2014	1.2154	1.3285	1.3952	1.2154
2015	1.0910	1.1096	1.2051	1.0527
2016	1.0520	1.1069	1.1532	1.0389

	U.S. dollar per €1.00			
	Period end	**Average[(2)]**	**High**	**Low**
Month				
January 2017	1.0797	1.0640	1.0797	1.0406
February 2017 (through February 2, 2017)	1.0758	1.0764	1.0769	1.0758

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year.

(2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

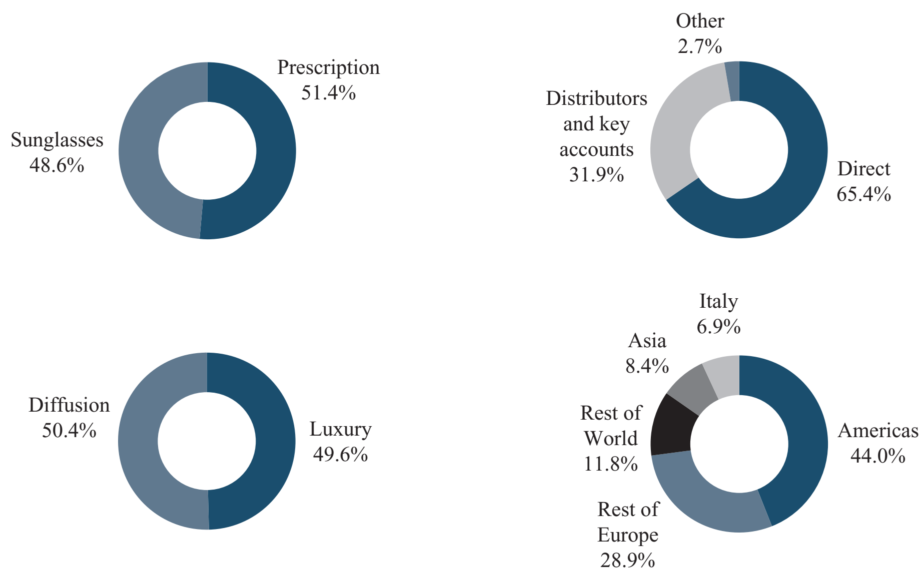
SUMMARY

This summary highlights certain information about the Issuer and the Refinancing contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the financial statements of the Issuer and the related notes therein. You should carefully read the entire Offering Memorandum to understand the business of the Issuer, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk Factors."

Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We are one of the world's largest eyewear wholesale players by revenue, with a broad portfolio of 26 licensed brands that appeal to key demographics across six continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate (or we believe have a potential to generate) between €30 million to €100 million in net revenues for us annually. Our portfolio includes iconic luxury high-fashion brands such as Tom Ford, TOD'S, Balenciaga, Roberto Cavalli, Montblanc, Zegna, Pucci, DSquared2, Moncler and Omega as well as more affordable, diffusion brands such as Guess, Diesel, Harley Davidson, Swarovski, Just Cavalli, Timberland, Cover Girl, Kenneth Cole New York and Kenneth Cole Reaction. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 63.6% of our net revenues for the year ended December 31, 2015 was generated by sales of products under licenses expiring after 2023. The weighted average remaining term of our licenses was 8.3 years as of December 31, 2016. For the twelve months ended September 30, 2016, we had total net revenues of €446.6 million, Adjusted EBITDA of €50.3 million and we sold approximately 14.1 million units.

The graphics below present certain information about our net revenues for the twelve months ended September 30, 2016.



Our product portfolio encompasses 26 licensed brands as well as four proprietary brands. We produce prescription frames, sunglasses and ski goggles for women and men, targeting consumers at different price points. We generate the majority of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of

experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we are able to design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our new, state-of-the-art facilities in Longarone and Fortogna in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of these sophisticated and time-intensive design and production processes, the eyewear in our luxury category generally retails for prices of between €100 and €760. The diffusion category comprises stylish but more affordable licensed-brand alternatives. Within this category we use our expertise in industrializing eyewear production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us sell our diffusion eyewear products at retail prices of generally between €10 and €265.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in sunglasses with a complementary leading position in prescription frames and a significantly expanded distribution network in the United States and certain other markets. Since completing the Viva Acquisition, we have strategically integrated and restructured the Viva Group into our sales, manufacturing and distribution operations, strengthening our leading global position in the eyewear wholesale market.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Montblanc, Timberland and Omega, that primarily target women such as Guess, Swarovski, Cover Girl and Balenciaga, and that primarily target younger consumers such as Diesel and DSquared2. In addition, on January 31, 2017 we entered into the M/L JVA with LVMH pursuant to which, subject to certain conditions and approvals, M/L JV will, starting in 2018, design and manufacture eyewear for luxury LVMH brands, including Céline and Louis Vuitton, with the purpose of becoming the preferred partner of LVMH in the eyewear business. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*." We believe the risk of changing consumer fashion tastes is mitigated by our and M/L JV's ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through nine direct subsidiaries, over 150 partner distributers and three controlled joint ventures across six continents that reaches 77,534 individual POS (of which, 27,910 POS in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through nine commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference gained by soliciting consumer feedback on preferences at each stage of our business model and integrating that feedback into our product designs. This feedback model allows us to cultivate and grow our brands as they respond to evolving consumer preference. Our integrated business model also enables our design team to create eyewear with a view to industrialization of its production. For in-house production of our luxury brand units, our manufacturing plants have been streamlined using high precision and flexible workstations and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and

extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

Well positioned in the attractive and stable global wholesale eyewear market that shows favorable trends towards branded products and growth in emerging markets.

We believe the wholesale eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. Taiyou Research estimates that the global market for prescription frames and sunglasses was worth €10.2 billion in 2015 at wholesale prices and will grow at a CAGR of 4.0% to reach €12.4 billion by 2020.

The prescription frames segment of the optical market is particularly stable and resilient during periods of economic slowdown in mature economies due in part to the non-discretionary nature of prescription lenses purchases. Taiyou Research estimates that the wholesale prescription frames market was worth €7.1 billion in 2015 (69.6% of the total wholesale eyewear market) and will grow at a CAGR of 3.4% to reach €8.4 billion in 2020 driven by a combination of economic, demographic and social factors, including an aging population, increased use of computer monitors at work, increased affordability of eye care and changing consumer behaviors. Taiyou Research further estimates that in 2015, 4.2 billion, or 60% of the world's population, required some form of vision correction, though only about 1.7 billion received treatment. The number of people in need of vision correction interventions (prescription lenses, contact lenses and corrective surgery) is expected to increase by 1.2 billion to 5.4 billion in 2030. In addition, consumers have begun to view eyewear as a fashion accessory and method of expression, heightening the consumer's interest in branded eyewear products and hence we believe that consumers are increasingly more likely to change the prescription frame when they change lenses, generally once every three years. We believe we are well positioned to take advantage of the positive trends in prescription frames given our strength in this segment.

The sunglasses segment has historically exhibited higher growth rates in periods of economic growth, though demand is more dynamic and sensitive to economic factors. Taiyou Research estimates that the wholesale sunglasses market was worth €3.1 billion in 2015 (30.4% of the larger wholesale eyewear market) and is forecasted to grow at a CAGR of 5.2% to reach €4.0 billion in 2020 (32.3% of the larger wholesale eyewear market). Significant new demand for sunglasses is expected due to increased awareness of the harm of ultraviolet rays and the increased brand awareness of consumers, which we believe we can satisfy through our expansive and diverse brand portfolio.

In the near-term, demand in emerging markets, particularly for branded products, is expected to drive the global eyewear market. Taiyou Research estimates that in 2015, 93% of the population with unmet needs of vision correction resided outside of mature markets and socioeconomic and demographic changes are expected to increase optical diagnosis and affordability of eye care in those markets. Taiyou Research forecasts growth of the wholesale eyewear market in emerging markets of CAGR of 8.7% from 2013 to 2020, as compared to 2.8% for the entire market over the same period. Taiyou Research expects growth to come from both the sunglasses and prescription frames segment. Demand for branded products in emerging markets, such as China, Brazil and India, will outpace demand for non-branded products as consumer awareness of internationally-recognized brands grows and economic segmentation among consumers becomes an important social signifier. We are present in approximately 125 countries on six continents and for the twelve months ended September 30, 2016, 20.2% of our net revenues were generated in Asia and Rest of World. We believe we can leverage our increased presence in the emerging markets, particularly China, where we have increased operations and streamlined our production and distribution channels to capitalize on the projected growth in these markets.

Leading player in the global eyewear industry with a strong competitive position, enhanced by the M/L JV.

We are a leading player in the global eyewear market. We are present in approximately 125 countries on six continents, either directly, through our three controlled joint ventures or through our relationships with over 150 distributors. For the twelve months ended September 30, 2016, 44.0% of our net revenues were generated in the

Americas, 35.8% in Europe (including Italy), 8.4% in Asia and 11.8% in Rest of World. Our global scale and distribution network enable us to market our licensed brands on a global platform, take advantage of growing opportunities in emerging markets with high-growth potential such as Asia, Brazil, Russia and the Middle East and extensively cover more the United States market, where our distribution network reaches approximately half of all the POS in the United States. We believe that our extensive and diversified geographic presence act as a natural hedge against localized economic downturns and allows us to maximize distribution in regions of increasing demand, such as China.

We believe that our strong competitive position in the global eyewear market will be enhanced by our participation in the M/L JV, which has been formed with the intention of making M/L JV the eyewear designer, manufacturer and distributor of choice for the family of LVMH luxury brands.

High revenue visibility as a result of a strong brand portfolio with long-term licenses and a proven ability to attract new licenses.

We have high revenue visibility as a result of our strong brand portfolio anchored by long-term licenses with some of the most recognizable brands in the eyewear industry, including Tom Ford, Guess, Roberto Cavalli and Diesel. As of December 31, 2016, the average length of our relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 19 years. For the twelve months ended September 30, 2016, 85.3% of our net revenues were generated by sales under our top ten licensed brands by net revenues. As of December 31, 2016, our licenses had a weighted average remaining term of 8.3 years. Furthermore, for the year ended December 31, 2015, 63.6% of our net revenues were generated by products under our five licenses with at least six years of residual life (beyond 2023) and our four proprietary brands, while only three of our licenses expire in 2017 (representing 1.6% of our net revenues for the year ended December 31, 2015), seven licenses expire in 2018 (representing 21.0% of our net revenues for the year ended December 31, 2015), three licenses expire in 2019 (representing 2.4% of our net revenues for the year ended December 31, 2015), three licenses expire in 2020 (representing 6.9% of our net revenues for the year ended December 31, 2015), three licenses expire in 2021 (representing 4.4% of our net revenues for the year ended December 31, 2015) and none expire in 2022.

The strength of our brand portfolio provides the foundation for our success and we believe the strength of that portfolio is attributable to our strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement through capturing and translating each brand's essence into eyewear products while respecting and preserving each licensor's brand identity. We believe this ability to enhance brand equity is the primary reason we enjoy long-term relationships with our licensed brands and why we have added 14 licensed brands to our portfolio since 2009 (eight of which were added as a result of the Viva Acquisition), entered into six additional new licenses, renewed eight of our existing licenses and have not lost any of our licensed brands to our competitors. We believe our unique attention to licensor's interests, our best-in-class product design capabilities and our distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing relationships, and attract new licenses in the future, with a focus on brands with eyewear accessory lines that have international awareness. and generate (or have the potential to generate) between €30 million to €100 million in annual net revenues for us.

Diversified and well-balanced brand and product portfolios.

We have a diversified portfolio of 26 licensed and four proprietary brands balanced between luxury and diffusion brands that appeal to a wide range of demographic groups. For the twelve months ended September 30, 2016, 49.6% of our net revenues were generated from our luxury category, which offers high-fashion, innovative designs, personalization and high-quality materials. The remaining 50.4% of our net revenues for the twelve months ended September 30, 2016 were generated from our diffusion category, which offers stylish eyewear at a more affordable price. Due to the segmentation of our offering into luxury and diffusion brands we are able to offer a wide array of eyewear at various price options, suitable for wholesale distribution through different channels, including independent opticians throughout Europe, department stores from Bloomingdale's to Kohl's in the United States and retail stores of our licensors. We believe that the balance of our offering between luxury and diffusion brands with their differing price points and distribution channels balances our appeal to a wide range of demographic groups and offsets the potential cyclicality of the luxury industry.

Our product offering is also evenly balanced between prescription frames and sunglasses. For the twelve months ended September 30, 2016, 51.4% of our net revenues were generated by sales of prescription frames, with the remainder generated by sales of sunglasses. We believe that this even balance serves to insulate us somewhat from economic downturns since prescription frames are less discretionary purchases leading to a more constant stream of sales.

High free cash flow generation due to limited capital expenditures and working capital requirements.

Our business is highly cash generative as demonstrated by performance for the years ended December 31, 2014 and 2015. For the years ended December 31, 2013, 2014 and 2015, our Operating Free Cash Flow was €8.8 million, €27.4 million, and €33.4 million, respectively, growing at a CAGR of 95.3% between the years ended December 31, 2013 and 2015. This strong performance is underpinned by stable margins, the limited capital expenditure requirements of our wholesale business model and our management's attention to working capital management. Our Adjusted EBITDA was €26.2 million and €50.3 million for the year ended December 31, 2013 and for the twelve months ended September 30, 2016, respectively, growing at a CAGR of 26.7%. Our Adjusted EBITDA margins were 12.4%, 12.1% and 11.5%, respectively, for the year ended December 31, 2013, 2014 and 2015. Furthermore, our business generally requires limited capital expenditures and a significant portion of our cash out-flows have been related to one-off payments for license renewals, including the early renewal of our Tom Ford license until 2029.

Experienced management team backed by committed shareholders.

Under PAI's leadership we have built a senior management team of individuals with extensive experience in the consumer products and fashion industry. Our managers have experience in, among other areas, financial planning and control, wholesale management and licensing with leading listed and non-listed companies that are active on a global level. In addition, a number of managers with experience in the Americas (our largest market) and extensive knowledge of eyewear industrialization have joined our Group management teams. Our management team has successfully led the transformation of the Issuer into one of the world's largest eyewear wholesale players, which has been accomplished, in part, through the expansion of our license portfolio through both the renegotiation and extension of certain licenses (such as Tom Ford, TOD's, Roberto Cavalli, Diesel, Montblanc, Swarovski, DSquared2 and Timberland) and the acquisition of new licenses and supply agreements such as (Balenciaga, Zegna, Pucci, Omega and Moncler) won from some of our competitors. Our management team also successfully completed the Viva Acquisition and the integration of the Viva Group, which expanded our global presence (particularly in the United States) and by entering into successful controlled joint ventures in China, Russia and Nordic Europe, and generated significant cost savings synergies for the Group. Furthermore, the management team has, over the last four years significantly expanded our in-house *Made in Italy* production capacity and rationalized our integrated operational model.

This experienced management team is backed by committed shareholders that include members of the Marcolin family, who remain active in our business by serving in managerial positions. This continuity preserves our heritage as one of the oldest luxury eyewear manufacturers in the world. Furthermore, we benefit from the support of PAI, one of the oldest and most experienced private equity firms in Europe as well as the Della Valle family, which is the controlling shareholder of TOD's and Red Circle Investments, which owns the fashion brand Diesel. Additionally, following the Marcolin Capital Increase, we will have the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world.

Our Strategies

We intend to further strengthen our position as a leading wholesale eyewear company by focusing on the following strategic pillars:

Leverage our balanced geographic presence and integrated business model to expand in existing markets and further develop global distribution reach in new and emerging markets.

We have extensive distribution networks in the mature markets of North America and Europe and we intend to maintain a strong foothold in these markets and leverage our know-how to expand further, including through entering into new controlled joint ventures in Northern Europe. In addition, we intend to pursue organic growth opportunities in fast-growing emerging markets, where we believe consumer demand for branded products will increase. We expect that our balanced geographic presence and integrated business model both place an emphasis on proximity and responsiveness to consumers that will help us effectively enter emerging markets in Latin America, Asia and the Middle East and then increase revenues in those markets. One way we aim to accomplish this is through joint ventures in both China and Russia (formed at the end of 2014) and a planned controlled joint venture in the Middle East (expected to be formed by the end of 2017), which will help us enter and develop those markets. In addition, to foster consumer demand in emerging markets, we will work closely with our licensors to further increase brand awareness through targeted advertising campaigns and in-shop displays. We

also believe that the travel segment of the wholesale distribution channel (i.e. airport duty-free shops) can function as an entry point to increase revenues in emerging markets, and we expect to increase our presence in these locations.

Focus on expanding our portfolio with distinctive brands offering target net revenues for us of between €30 million and €100 million annually.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear, generally with target net revenues between €30 million and €100 million for us annually. For luxury brands, we will continue producing *Made in Italy* pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for some of our largest brands and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raising awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value. We believe our track record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We have recently signed a new long-term license agreement with Moncler and a supply agreement with Omega. We review our portfolio on a regular basis, and have discontinued two of our proprietary brands since 2013 that overlapped with the operations of our other proprietary brands. We will continue to focus on licensed brands that have broad consumer appeal or target selective and profitable niches, such as Moncler, and will also gain indirect access to an increased portfolio of luxury brands through the M/L JV. We seek to maintain or increase gross margins for our luxury and diffusion brands, and we intend to monitor and tailor our brand portfolio for optimal performance.

Maximize operational efficiency.

We believe our integrated business model provides maximum control over our operations, allows us to quickly respond to consumer demands and has contributed to margin preservation. We intend to continue to maximize the efficiency of our procurement, production and distribution functions. The integration of the Viva Group into our Group has allowed us to extract certain cost savings through rationalizing general and administrative costs, especially in countries where both Marcolin and Viva already had a direct presence. Since that integration effort is complete, the maximizing of our operational efficiency will now focus on ways in which we can move product from consumer input to design concepts and into individual POS. One way to do this is to improve the methods whereby our sales teams, which have the greatest visibility on consumer trends, are able to communicate their view of the market to our design and procurement teams. Additionally, we believe further improving our procurement, production and assembly efficiency can continue to help us maximize revenue volumes and preserve margins while limiting our exposure to changing fashion trends and inventory leftovers. We have already begun to accomplish these objectives through the expansion of our in-house production capacity at our new Fortogna facility (to which we have relocated production from our Italian suppliers) as well as taking improving trade receivables collection. Finally, we will continue to work on improving our logistical organization and improve customer fulfillment of orders.

Exploit growth opportunities of M/L JV.

The M/L JV is strategically important for us. It strengthens, indirectly, our luxury brand portfolio by giving us the opportunity to apply our design, industrialization, manufacturing and distribution know-how to luxury LVMH brands, including Céline and Louis Vuitton, which have previously been designed and manufactured by some of our largest competitors. The M/L JV is being formed with the aim of becoming the preferred partner of LVMH in the eyewear business. The primary purpose of the M/L JV will then be to strengthen LVMH's eyewear business by enhancing the creativity and innovation of the designs of the licensed brands through the application of our know-how, thereby improving the overall brand equity and luxury positioning of LVMH. Therefore, we believe dividends from the M/L JV provide us additional cash-generating opportunities as the M/L JV leverages the increased strength of the brand equity of well-known brands in the LVMH family. M/L JV will be headquartered in Longarone where it can take advantage of synergies afforded by our manufacturing and operational infrastructure and where it can eventually expand into its own production facilities in the future. The M/L JV will aim to maximize these synergies to achieve an improved time-to-market, once design and production of the initially licensed LVMH brands begins in 2018. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*."

Maintain disciplined financial strategy, focus on cash generation and reduced leverage.

We have historically achieved high levels of Adjusted EBITDA with an Adjusted EBITDA margin of 11.3% for the twelve months ended September 30, 2016 and an average Adjusted EBITDA of €40.1 million for the years 2013, 2014 and 2015. We intend to focus on cash generation and operationally reducing our leverage through improving working capital practices and actively monitoring cash flow management. The New Revolving Credit Facility, which we expect will have available drawings of €30.0 million after the Refinancing, will maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures, combined with our disciplined financial strategy, we intend to focus on cost reduction and efficiency improvement opportunities. Furthermore, we intend to prudently evaluate any future opportunities for strategic growth of our licensed brand portfolio that have clear potential to be EBITDA-accretive.

The Sponsor

PAI is one of the leading European private equity firms with offices in Paris, London, Luxembourg, Madrid, Milan, Munich and Stockholm. PAI manages and advises dedicated buyout funds with combined commitments in excess of around €7.1 billion. Since 1994, PAI has completed 61 leveraged buyout transactions across 11 European countries, representing approximately €41 billion of aggregate enterprise value. PAI has a significant number of investments in the apparel retail and consumer goods sector, and has successfully contributed to the growth of a large number of leading players in this sector. Recent examples of leveraged buyouts in related industries, led by PAI, include Froneri (a in frozen food manufacturer), The Nuance Group (a leading duty-free retailer), and Gruppo Coin (a leading retailer in Italy). PAI is characterized by its operational approach to ownership combined with industrial and sector expertise. PAI provides portfolio companies with the operational, financial and strategic support required to pursue their development and enhance strategic value creation.

The Refinancing

Throughout this Offering Memorandum, we collectively refer to the entering into of the New Revolving Credit Facility, the discharge of the Existing Revolving Credit Facility, the Offering and the application by the Issuer of the proceeds of the Offering, amounts received from the Marcolin Capital Increase and borrowings under the New Revolving Credit Facility, together with cash from balance sheet, to redeem the entire outstanding principal amount of the Existing 2019 Notes (plus accrued interest and premium), repay all amounts outstanding under the Existing Revolving Credit Facility, pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment and associated costs, taxes and fees by its shareholder 3Cime, partially repay certain of our Bilateral Facilities and pay certain fees and expenses in connection with such transactions, as the "**Refinancing**." For additional information, see "*Summary—The Refinancing—Sources and Use of Proceeds*," "*Use of Proceeds*," "*Description of the Notes*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*."

Sources and Use of Proceeds

We expect the gross proceeds from the Offering will be €250.0 million. We intend to use the proceeds from the Offering, amounts received from the Marcolin Capital Increase and borrowings under the New Revolving Credit Facility, together with cash from balance sheet to redeem all of the outstanding Existing 2019 Notes (plus accrued interest and premium), repay all amounts outstanding under the Existing Revolving Credit Facility, pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment and associated costs, taxes and fees by its shareholder 3Cime, partially repay certain of our Bilateral Facilities and pay certain fees and expenses in connection with the Refinancing.

The estimated sources and uses of the proceeds of the Offering are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, differences from our estimates of the costs of redeeming the Existing 2019 Notes and the ultimate timing thereof.

Sources of funds	(€ in millions)	Uses of funds	(€ in millions)
Notes offered hereby[1]	250.0	Refinancing of the Existing 2019 Notes[4]	200.0
Marcolin Capital Increase[2]	21.9	Repayment of the Existing Revolving Credit Facility[5]	25.0
New Revolving Credit Facility[3]	10.0	Dividends related to the Vendor Loan Note Repayment and associated costs, taxes and fees[6]	30.0
Cash from balance sheet	13.7	Partial repayment of Bilateral Facilities[7]	21.4
		Accrued interest and premium[8]	12.7
		Transaction fees and expenses[9]	6.5
Total sources	**295.6**	**Total uses**	**295.6**

(1) Assumes issuance at par.

(2) Represents amounts that, pursuant to the M/L JVA, and in connection with the M/L JV Formation, the Issuer will receive from LVMH in exchange for 6,828,708 new Class B shares of the Issuer, representing 10% of the fully-diluted capital of the Issuer. The Marcolin Capital Increase is subject to the approval of the M/L JV by the European Union anti-trust authorities and other standard closing conditions related to the M/L JV Formation, and will not occur on the Issue Date, and may not occur at all, but is expected to occur in the second quarter of 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*."

(3) Represents drawings under the New Revolving Credit Facility expected to be undertaken on or about the Issue Date. The New Revolving Credit Facility provides for a revolving credit facility of up to €40 million.

(4) On or about the date of this Offering Memorandum we intend to use the proceeds from the Offering, together with cash from balance sheet and borrowings under the New Revolving Credit Facility, to redeem the Existing 2019 Notes. The Existing 2019 Notes will be redeemed on or about February 14, 2017 following the delivery of a notice of redemption in respect of the Existing 2019 Notes and the deposit with the Trustee of funds in an amount sufficient to pay the redemption price (including accrued interest until, but excluding, February 14, 2017, the assumed date of redemption of the Existing 2019 Notes). As of September 30, 2016, the outstanding principal amount of the Existing 2019 Notes was €200.0 million. Following the Refinancing, the Existing 2019 Notes will have been entirely satisfied and discharged. See "*Capitalization*."

(5) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of September 30, 2016. No additional amounts have been drawn under the Existing Revolving Credit Facility after September 30, 2016. Due to the seasonality of our business, working capital movements and other factors, the amount drawn under the Existing Revolving Credit Facility may change prior to the Issue Date. The amount does not include accrued interest or break costs.

(6) Represents one or more dividend payments by the Issuer to Marmolada in respect of the Vendor Loan Note Repayment by Marmolada's shareholder, 3Cime, including the repayment of the Vendor Loan Note and related costs, taxes and fees, a portion of which will be paid subsequent to the Issue Date. See "*Summary—Recent Developments—Vendor Loan Note Repayment*."

(7) Represents the partial repayment of certain of our Bilateral Facilities. As of September 30, 2016, we had €32.0 million in Bilateral Facilities outstanding. The partial repayment of these Bilateral Facilities will not occur on the Issue Date. We expect to make the partial repayment shortly following the completion of the Marcolin Capital Increase, which is subject to the approval of the M/L JV by the European Union anti-trust authorities and other standard closing conditions related to the M/L JV Formation, and will not occur on the Issue Date, and may not occur at all, but is expected to occur in the second quarter of 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*."

(8) This figure reflects (i) a redemption premium amounting to €8.5 million with respect to the redemption of the Existing 2019 Notes on or about February 14, 2017, the assumed date of redemption of the Existing 2019 Notes, at a premium of 104.25% and (ii) €4.2 million of accrued and unpaid interest as of, but excluding, February 14, 2017, the assumed date of redemption of the Existing 2019 Notes.

(9) Represents the estimated fees and expenses associated with the Offering including underwriting fees and commissions, financial advisory fees and other transaction costs and professional fees.

On or about the date of this Offering Memorandum, we expect to enter into the New Revolving Credit Facility Agreement with UniCredit Bank AG, Milan Branch, as agent and as Security Agent and the other parties thereto in the amount of €40.0 million, pursuant to which the Issuer is the borrower. The New Revolving Credit Facility will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. We intend to draw €10.0 million under the New Revolving Credit Facility Agreement on or about the Issue Date in connection with the Refinancing. Following the Refinancing, the New Revolving Credit Facility will be used to provide our Group with liquidity for general corporate purposes. See "*Use of Proceeds*," "*Capitalization*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*."

Recent Developments

Current Trading for the Eleven Months Ended November 30, 2016

Based on the management's initial review of our results of operations for the eleven months ended November 30, 2016, we expect that our net revenues and Adjusted EBITDA will be largely in line with our revenues and Adjusted EBITDA for the eleven months ended November 30, 2015, with revenues marginally increasing (although at a rate lower than in respect of the nine months ended September 30, 2016 compared to the same period for the prior year) and Adjusted EBITDA remaining flat, in each case in comparison to the eleven-month period for the prior year. The EBITDA adjustments for the eleven months ended November 30, 2016 and 2015, respectively, are of a similar nature to those described elsewhere in this Offering Memorandum. We believe that the principal factors driving our net revenues and Adjusted EBITDA for the eleven months ending November 30, 2016 are similar to those driving our results for the nine months ended September 30, 2016, including increased sales in Italy, the Rest of Europe and the Rest of the World, which offset decreased sales in the Americas and Asia.

These preliminary indications are estimates based on our management's initial reviews of our results of operations. Our independent auditors have not audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited financial information does not take into account any circumstances or events occurring after the period to which it refers. The foregoing information relating to our results is based in part on estimates. These estimates are based on our internal management accounts for the months ended October 31, 2016 and November 30, 2016, which are unaudited. While we believe these estimates are reasonable, our actual results for the two months ended November 30, 2016 may differ from those presented above, remain subject to change and may not be indicative of our future results. The information above should not be regarded as an indication, forecast or representation regarding our financial results for full year ending December 31, 2016. You should therefore not place undue reliance on the information presented above. See "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Joint Venture with LVMH

On January 31, 2017, we entered into a joint venture agreement with, *inter alia*, LVMH Moët Hennessy Louis Vuitton SE ("**LVMH**") and PAI to establish a joint venture ("**M/L JV**") (the "**M/L JVA**"). M/L JV is being established with the purpose of becoming the preferred partner of LVMH in the eyewear business. LVMH brands include Berluti, Loro Piana, Givenchy, Bulgari, Marc Jacobs, Kenzo, Fendi, Dior, Loewe, Céline, Louis Vuitton and Tag Heuer. Pursuant to the M/L JVA, LVMH will initially enter into licenses with M/L JV for the design, production, distribution and sale of eyewear for LVMH's Céline brand, which will be effective as of January 1, 2018, and a supply agreement for certain Louis Vuitton eyewear with the opportunity to expand into other LVMH brands in the future.

Pursuant to the M/L JVA and a shareholders' agreement between, *inter alia*, LVMH, PAI and Tofane S.A. (an indirect holding company of the Issuer) entered into on January 31, 2017 (the "**PAI/LVMH Shareholders' Agreement**"), upon the approval of M/L JV by the European Union anti-trust authorities among other standard closing conditions, (i) LVMH will subscribe to a capital increase of the Issuer of 6,828,708 new Class B shares for €21.9 million, resulting in LVMH holding 10% of the fully-diluted capital stock of the Issuer (the "**Marcolin Capital Increase**"), (ii) LVMH will pay Marmolada €3.0 million as consideration for the LVMH Call Option (as defined in "Principal Shareholders—PAI/LVMH Shareholders Agreement") (iii) LVMH, through one or more wholly owned subsidiaries, and the Issuer will subscribe their ownership in M/L JV by way of capital contributions such that LVMH, through a wholly-owned subsidiary, and the Issuer will own 51% and 49%, respectively of the share capital of M/L JV (the "**M/L JV Formation**").

In total, we estimate our equity contributions to the start-up costs, capital expenditures and working capital requirements of M/L JV will be between €20 million and €25 million over the course of the next four to five years, of which we expect to fund approximately €7 million in 2017. Pursuant to the M/L JVA, the capital requirements of M/L JV will be funded as and when required by (i) direct or indirect *pro rata* equity contributions by the Issuer and LVMH and/or (ii) debt financing incurred by M/L JV for a maximum amount of €45 million (or 50% of M/L JV's financing needs), which is expected to be non-recourse with respect to the Issuer and its restricted subsidiaries. The Issuer will also provide distribution and transitional and other support services required in connection with setting up M/L JV. See "*Related Party Transactions*."

The M/L JVA contains other provisions relating to the activities and operations of M/L JV, which are detailed further in "*Business—Our Business—The M/L JV*." Additionally, the M/L JVA governs (i) the transfer of M/L JV's shares, (ii) the nomination and conduct of the board of directors of M/L JV and (iii) certain options over the shares of M/L JV held by each of LVMH and the Issuer, also detailed further in "*Business—Our Business—The M/L JV*." Furthermore, as detailed further in "*Principal Shareholders—Shareholders' Agreement—PAI/LVMH Shareholders' Agreement*," the PAI/LVMH Shareholders' Agreement contains certain provisions, *inter alia*, (i) in respect of LVMH's right to nominate one member of the Issuer's board of directors and (ii) detailing the respective rights of PAI and LVMH in connection with an IPO or a direct or indirect sale of the shares of the Issuer.

We cannot guarantee that the conditions to the Marcolin Capital Increase and the M/L JV Formation will be satisfied, including, *inter alia*, the approval of M/L JV by the European Union anti-trust authorities. If such conditions are not satisfied, LVMH will not be required to subscribe to the Marcolin Capital Increase and the M/L JV Formation will not occur. See "*Forward-Looking Statements,*" "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation.*"

Payment of Final Deferred Payment Instalment

On December 9, 2016, we paid HVHC $3.0 million in respect of the final installment of the deferred payment pursuant to the Viva Acquisition. For purposes of reflecting this payment in the *adjusted* cash and bank balances amounts presented herein we have translated the amount into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016.

Vendor Loan Note Repayment

On January 17, 2017, we, together with Marcolin USA, Marmolada and 3Cime, entered into a settlement agreement with HVHC (the "**HVHC Settlement Agreement**").

Pursuant to the HVHC Settlement Agreement, 3Cime (an indirect shareholder of the Issuer) will, on or about the Issue Date, but in no event later than February 15, 2017 (the "**Backstop Date**"), pay HVHC $25.5 million (equal to €22.9 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) to settle all amounts outstanding under and cancel and discharge the Vendor Loan Note (the "**Vendor Loan Note Repayment**"). The Refinancing, as discussed herein, includes (i) a €30.0 million dividend payment by the Issuer to Marmolada that will be used by 3Cime, Marmolada's shareholder, to effect the Vendor Loan Note Repayment and related costs, taxes and fees, a portion of which will be paid subsequent to the Issue Date and (ii) the cancellation of the Vendor Loan Note. Although the Issuer will pay Marmolada a portion of the €30.0 million dividend subsequent to the Issue Date, the net financial debt of the Group and the Group's shareholders' equity and available cash and cash equivalents have all been adjusted to reflect the effects of the payment of the full amount of the dividends, even though certain amounts will be paid by the Issuer to Marmolada subsequent to the Issue Date.

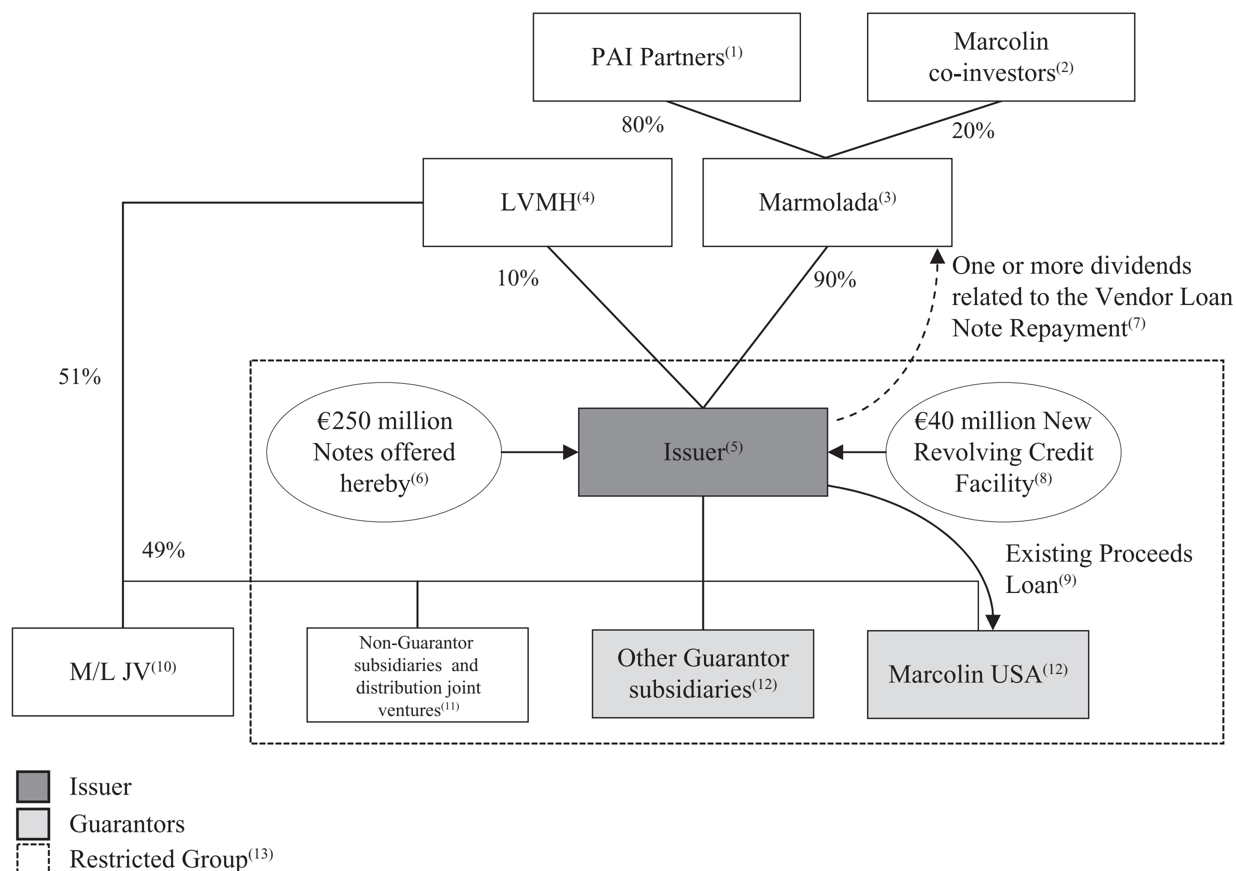
In addition, pursuant to the HVHC Settlement Agreement, Marcolin USA will, from cash on balance sheet, pay HVHC $1.5 million related to the post-closing tax allocation under the Viva Acquisition Agreement (the "**HVHC Tax Payment**" and, together with the Vendor Loan Note Repayment, the "**HVHC Settlement Payments**"). The HVHC Tax Payment will occur on or about the Issue Date, but in no event later than the Backstop Date. The Refinancing, as discussed herein, does not include the HVHC Tax Payment, and the financial debt of the Group and available cash and cash equivalents have not been adjusted to reflect the effects thereof.

The HVHC Settlement Agreement also provides for the waiver, release and discharge of all future claims or disputes arising under the Viva Acquisition Agreement (except for claims related to the indemnification of HVHC's officers and directors), including the discharge of a minor tax claim between Marcolin USA and HVHC related to the post-closing tax indemnity obligations of HVHC under the Viva Acquisition Agreement (the "**Marcolin USA Tax Payment**" and, together with the HVHC Tax Payment, the "**Tax Payments**").

In the event that the HVHC Settlement Payments have not been made by the Backstop Date, the Vendor Loan Note and the Viva Acquisition Agreement will remain in full force and effect and the Tax Payments will not be made.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving *pro forma* effect to the Transactions as described in "*Summary—Recent Developments—Joint Venture with LVMH*," "*Use of Proceeds*" and "*Capitalization*." Other than with respect to our joint ventures, including the M/L JV, all subsidiaries of the Issuer are directly or indirectly wholly-owned by the Issuer. Unless otherwise indicated, the subsidiaries represented below are wholly-owned, either directly or indirectly, by their respective parent companies. For a summary of the debt obligations referenced in this diagram, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."



(1) Funds advised or managed by PAI, a major European private equity firm that manages and advises dedicated buyout funds with combined commitments in excess of around €7.9 billion, will own, following the Marcolin Capital Increase, a 72% indirect interest in Marcolin's share capital (on a fully diluted basis). See "*Principal Shareholders*."

(2) Certain co-investors will own, following the Marcolin Capital Increase, an 18% indirect interest in Marcolin's share capital (on a fully diluted basis). See "*Principal Shareholders*."

(3) Marmolada S.p.A., organized as a joint stock company (*società per azioni*) under the laws of the Republic of Italy, is the direct parent holding company of the Issuer. Marmolada is, in turn, directly held by the holding company 3Cime, which will make the Vendor Loan Note Repayment. 3Cime is directly held by the holding company Pelmo S.A., a corporation (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, and Pelmo S.A. is directly held by the holding company Tofane S.A. a corporation (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg. Following the Marcolin Capital Increase and the M/L JV Formation, Marmolada will hold all of the Issuer's Class A shares, equal to 90% of the Issuer's total share capital. See "*Principal Shareholders*."

(4) LVMH Moët Hennessy Louis Vuitton SE is a European public company (*societas Europaea*) organized under the laws of the European Union. Following the Marcolin Capital Increase, LVMH will own a 10% direct interest in the Issuer's share capital (on a fully diluted basis). The Issuer's shares issued to LVMH pursuant to the Marcolin Capital Increase, if any, will not be pledged to secure the Notes or the New Revolving Credit Facility and will thus not form part of the Collateral. In addition, LVMH has been granted a call option that it may exercise to acquire additional shares of the Issuer (the "**LVMH Call Option**"). The LVMH Call Option may be exercised in case of (i) an IPO of the Issuer, (a "**Marcolin IPO**"), or (ii) a sale of the shares of the Issuer (whether directly by Marmolada or indirectly by PAI or any of the companies that directly or indirectly control the Issuer) to LVMH or to a third party (a "**Marcolin Share Sale**"). The LVMH Call Option allows LVMH to acquire additional Issuer shares depending on the capital gain realized by the Issuer's indirect shareholders resulting from a Marcolin IPO or a Marcolin Share Sale (as the case may be). The Indenture will provide for additional share capital of the Issuer to be transferred to LVMH (a maximum of an additional 7.5% of which will not be pledged to secure the Notes) pursuant to the rights of LVMH to acquire additional share capital of the Issuer under the PAI/LVMH Shareholders' Agreement, including pursuant to the LVMH Call Option. See "*Summary—Recent Developments—Joint Venture with LVMH*," "*Principal Shareholders—Shareholders' Agreement—PAI/LVMH Shareholders' Agreement*" and "*Description of the Notes—Security." If the*

conditions precedent to the Marcolin Capital Increase and the M/L JV Formation are not satisfied, including, *inter alia*, the approval of M/L JV by the European Union anti-trust authorities, LVMH will not be required to subscribe to the Marcolin Capital Increase, the M/L JV Formation will not occur and the Issuer will remain a wholly-owned, direct subsidiary of Marmolada, indirectly held 80% by PAI and 20% by Marcolin Co-investors. See "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*." Following the Marcolin Capital Increase and the M/L JV Formation, LVMH will hold all of the Issuer's Class B shares, equal to 10% of the Issuer's total share capital. See "*Principal Shareholders*."

(5) The Issuer is organized as a joint stock corporation (*società per azioni*) under the laws of the Republic of Italy. See "*Management*," "*Principal Shareholders*" and "*Listing and General Information*." As of September 30, 2016, after giving effect to the Refinancing, the Issuer and the Guarantors had €15.1 million in outstanding financial debt other than the Notes and the €10.0 million drawn under the New Revolving Credit Facility, €2.0 million of which was secured, represented by the Capital Leases and certain recourse (*pro solvendo*) factoring arrangements. See "*Description of Certain Financing Arrangements*." For the twelve months ended September 30, 2016, the Issuer and the Guarantors generated 88.0% of the Group's net revenues and 92.3% of the Group's Adjusted EBITDA. As of September 30, 2016, the Issuer and the Guarantors held 94.5% of the Group's total assets.

(6) The Notes will be senior secured obligations of the Issuer and will rank equal in right of payment with all of the Issuer's existing and future senior indebtedness and will rank senior to all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes. Within ten business days of the Issue Date, the Notes will be secured on a first-ranking basis by pledges over (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by Marmolada, which will constitute (a) 100% of the share capital of the Issuer on the Issue Date and (b) no less than (x) 90% of the share capital of the Issuer following the Marcolin Capital Increase or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans (the "**Collateral**"). The Collateral is currently pledged in favor of the Existing 2019 Notes and the Existing Revolving Credit Facility and this security interest will be released on or about the Issue Date following the redemption of the Existing 2019 Notes and the discharge of the Existing Revolving Credit Facility. See "*Use of Proceeds*." Furthermore, following the Refinancing, the Collateral will secure, on a first-ranking basis, the obligations under the New Revolving Credit Facility. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*." The Collateral will be subject to the Agreed Security Principles and limitations under applicable law and may be released in certain circumstances. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*." The Issuer will use the proceeds of the Offering, together with cash from balance sheet, to redeem all outstanding Existing 2019 Notes and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."

(7) The Issuer will pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment by its shareholder, 3Cime, including the repayment of the Vendor Loan Note and related costs, taxes and fees. Although the Issuer will pay Marmolada a portion of the €30.0 million dividend subsequent to the Issue Date, the net financial debt of the Group and the Group's shareholders' equity and available cash and cash equivalents have all been adjusted to reflect the effects of the payment of the full amount of the dividends, even though certain amounts will be paid by the Issuer to Marmolada subsequent to the Issue Date. See "*Summary—Recent Developments—Vendor Loan Note Repayment*."

(8) The Issuer entered into the New Revolving Credit Facility on or about the date of this Offering Memorandum, providing for up to €40.0 million (in multiple currencies) of senior secured revolving credit. The Issuer will be the borrower on a senior basis under the New Revolving Credit Facility but other Group entities may become borrowers in the future (subject to the terms of the New Revolving Credit Facility). The New Revolving Credit Facility will be guaranteed by the Issuer and the Guarantors and secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of the New Revolving Credit Facility and counterparties to certain hedging obligations that are permitted to be secured by the Collateral will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. Any proceeds received upon any enforcement action over any Collateral, after all obligations under the New Revolving Credit Facility and certain hedging arrangements have been repaid and have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Indenture and the Notes and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The Issuer and the Guarantors will be borrowers and/or guarantors, respectively, under the New Revolving Credit Facility. We intend to draw €10.0 million under the New Revolving Credit Facility Agreement in connection with the Refinancing. The Existing Revolving Credit Facility is being terminated in connection with the Refinancing. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*," "*Use of Proceeds*," "*Capitalization*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*" for further information.

(9) In connection with, and to partially finance, the Viva Acquisition, the Issuer loaned certain of the proceeds from the offering of the Existing 2019 Notes and amounts paid to the Issuer by Marmolada by way of an equity capital injection to M-USA (now Marcolin USA) (the "**Existing Proceeds Loan**"), which, as amended on or about the Issue Date, will remain outstanding following the Refinancing. The Issuer's receivables under the Intercompany Loans, including the Existing Proceeds Loan, will be pledged to secure the Notes and the New Revolving Credit Facility. See "*Description of Certain Financing* Arrangements—*Intercompany Loans*."

(10) M/L JV will be a joint stock company (*società per azioni*) organized under the laws of Italy. The Issuer has, pursuant to the M/L JVA, agreed to contribute equity to M/L JV as needed and on a pro rata basis with its 49% ownership of M/L JV, to satisfy the capital requirements of M/L JV. Although the M/L JVA gives us the right to nominate certain members of the board of directors of M/L JV, we will not control its operations. LVMH may hold its interest in M/L JV through one or more wholly-owned subsidiaries. For more information, see "*Summary—Recent Developments— Joint Venture with LVMH*," "*Risk Factors—Risks Related to Our Business—We have entered into joint venture agreements with third parties in certain markets and to expand our brand portfolio, and we have certain obligations to make capital contributions in respect of such joint ventures in the future*."

(11) Not all Group companies will guarantee the Notes. As of September 30, 2016, after giving effect to the Refinancing, such non-Guarantor Subsidiaries had €0.8 million in outstanding financial debt, none of which was secured. The Notes will be structurally subordinated to the liabilities of such Non-Guarantor Subsidiaries. In the event of a bankruptcy or liquidation of any of the Non-Guarantor Subsidiaries, such Non-Guarantor Subsidiaries will pay the holders of their respective debt and their respective trade creditors before they will be able to distribute any of their assets to their respective parent and ultimately to the Issuer. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes*." For the twelve months ended September 30, 2016, the Non-Guarantor Subsidiaries generated 12.0% of the Group's net revenues and 6.7% of the Group's Adjusted EBITDA. As of September 30, 2016, the Non-Guarantor Subsidiaries held approximately 5.5% of the Group's total assets.

(12) On or about the Issue Date, the due and punctual payment of certain amounts due and payable in respect of the Notes will be guaranteed (the "**Guarantees**") by Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (each as defined hereinafter) (the "**Guarantors**"). The Guarantees will be subject to contractual and legal limitations that may limit their enforceability, and the Guarantees may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*." For corporate information regarding the Guarantors, see "*Listing and General Information—Guarantor Legal Information*."

(13) The entities in the "Restricted Group" will be subject to the covenants in the New Revolving Credit Facility Agreement and the Indenture.

THE OFFERING

The summary below describes the principal terms of the Indenture and the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Marcolin S.p.A.
Notes Offered	€250 million aggregate principal amount of Senior Secured Floating Rate Notes due 2023 (the "**Notes**").
Issue Price	100.0% plus accrued interest, if any, from the Issue Date.
Issue Date	February 10, 2017.
Maturity Date	February 15, 2023.
Interest Rate	Three-month EURIBOR (with a 0% floor) plus 4.125% per annum, reset quarterly. Interest on the Notes will accrue from the Issue Date.
Interest Payment Dates	Interest on the Notes will be payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on May 15, 2017.
Guarantees	On or about the Issue Date, subject to the Agreed Security Principles, each of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany (the "**Guarantors**") will guarantee the due and punctual payment of the Notes (the "**Guarantees**"). The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*." For the twelve months ended September 30, 2016, the Issuer and the Guarantors generated 88.0% of the Group's net revenues and 92.3% of the Group's Adjusted EBITDA, respectively, and, as of September 30, 2016, held 94.5% of the Group's assets. As of September 30, 2016, after giving effect to the Refinancing, the Group would have had €246.3 million of net financial debt (€15.1 million of which was represented by financial debt other than the Notes and drawings under the New Revolving Credit Facility), and as of the Issue Date we have €30.0 million available for drawing under the New Revolving Credit Facility.
Security	Within ten business days of the Issue Date, the Notes will be secured on a first- ranking basis by pledges over (subject to the release provisions in the Indenture): (i) a pledge over all of the shares of the Issuer held by Marmolada, which will constitute (a) 100% of the share capital of the Issuer on the Issue Date and (b) no less than (x) 90% of the share capital of the Issuer following the Marcolin Capital Increase or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%, (ii) pledges over all of the shares of Marcolin USA, Marcolin UK, Marcolin France and Marcolin Germany; (iii) a pledge over all of the material assets of Marcolin USA; and (iv) an assignment of the Issuer's receivables under the Intercompany Loans (the "**Collateral**").

Other than the French law Collateral which will be granted to the Security Agent as creditor of the parallel debt (see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations—Limitations on Validity and Enforceability of the Guarantees and Security Interests—France—Limitations on the Enforcement of Security Interests—Parallel Debt*"), the Collateral will be granted to the Trustee as legal representative (*mandatario con rappresentanza*) and common representative (*rappresentante comune*) of, and on behalf of, the holders of the Notes. See "*Description of the Notes—Security*."

The New Revolving Credit Facility will be guaranteed by the Issuer and the Guarantors, and, subject to the Agreed Security Principles, will benefit from the same Collateral as the Notes as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. The Intercreditor Agreement will provide that lenders under the New Revolving Credit Facility and the counterparties to certain hedging obligations will receive priority to the proceeds from the Collateral in the event of any enforcement. See "*Description of the Notes—Security*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

In addition, the Indenture will permit us to secure additional indebtedness with liens on the Collateral under certain circumstances, including on a super senior priority basis.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Ranking of the Notes . . . . The Notes will:

- be general senior obligations of the Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the New Revolving Credit Facility;
- rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- be structurally subordinated to any existing or future indebtedness of the Non-Guarantor Subsidiaries, including obligations to trade creditors; and
- be unconditionally guaranteed on a senior basis by the Guarantors, subject to the limitations described in the "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations*."

Ranking of the Guarantees	The Notes will be fully and unconditionally guaranteed by the Guarantors subject to the guarantee limitations described in "*Description of the Notes—Guarantees*," including the Agreed Security Principles. Each Guarantee will: • be a general obligation of the Guarantor that granted such Guarantee; • rank pari passu in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under the New Revolving Credit Facility Agreement and certain hedging obligations; • rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee; • be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee, to the extent of the value of the property or assets securing such other indebtedness; and • be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors.
Use of Proceeds	We intend to use the proceeds from the Offering, amounts received from the Marcolin Capital Increase and borrowings under the New Revolving Credit Facility, together with cash from balance sheet to redeem all of the outstanding Existing 2019 Notes (plus accrued interest and premium), repay all amounts outstanding under the Existing Revolving Credit Facility, pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment and associated costs, taxes and fees by its shareholder 3Cime, partially repay certain Bilateral Facilities and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."
Optional Redemption	The Issuer may redeem all or part of the Notes on or after February 15, 2018, at par, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "*Description of the Notes—Optional Redemption*." At any time prior to February 15, 2018, the Issuer may redeem all or part of the Notes at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date and a "make-whole" premium as described under "*Description of the Notes—Optional Redemption*."
Tax Redemption	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes and Guarantees, the Issuer may redeem the Notes in whole, but not in part, at any time upon giving proper notice, at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

Additional Amounts . . . . Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the Paying Agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the Additional Amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding.

The Issuer is organized under the laws of the Republic of Italy and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. Subject to and as set forth in *"Description of the Notes—Withholding Taxes,"* the Issuer will not be liable to pay any Additional Amounts to holders of the Notes if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (as the same may be amended or supplemented from time to time) ("**Decree No. 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree No. 461**"), except, in the case of Decree No. 239, where the procedures required under Decree No. 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer or its agents. See *"Description of the Notes—Withholding Taxes."*

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree No. 239 or Decree No. 461 where a holder of Notes is resident for tax purposes in a country which allows for a satisfactory exchange of information with Italy (as identified by the Italian tax authorities in the Italian Ministerial Decree of September 4, 1996) (a "white list country") or otherwise eligible for the Decree No. 239 regime, and such holder of Notes complies with certain certification requirements, there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree No. 239 after the date hereof, including any change in the white list countries.

Certain Covenants . . . . The Indenture governing the Notes and the Guarantees will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of the Issuer's subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

	Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating.
	Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*."
Change of Control	Upon the occurrence of certain events constituting a change of control, you will have the right to require the Issuer to repurchase the Notes at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts, if any, to the date of repurchase. A change of control will not be deemed to have occurred if a certain consolidated leverage ratio is not exceeded as a result of such event. See "*Description of the Notes—Change of Control*" and "*Description of the Notes—Certain Definitions—Specified Change of Control Event*."
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Transfer Restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act, or under any other national, federal, state or local securities laws. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Offering and Transfer Restrictions*."
No Established Public Market for the Notes	The Notes will be new securities for which there will be no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.
Governing Law	The Indenture, the Guarantees and the Notes will be governed by and construed in accordance with the laws of the State of New York.
	The Intercreditor Agreement will be governed by English law.
	The Security Documents will be governed by Italian, New York, New Jersey, English, French and German laws, depending on the location of the asset subject to Lien.
Trustee	The Law Debenture Trust Corporation p.l.c.
Paying Agent and Calculation Agent . . .	Elavon Financial Services DAC, UK Branch.
Registrar and Transfer Agent	Elavon Financial Services DAC.
Luxembourg Listing Agent	Lucid Issuer Services Limited.
Security Agent	UniCredit Bank AG, Milan Branch.

Risk Factors . . . . Investing in the Notes involves substantial risks. See "*Risk Factors*" for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables set forth the summary historical consolidated financial information and other data for the Issuer as well as certain Adjusted Information for the Group after giving effect to the Refinancing. For a detailed discussion of the presentation of financial data, see "Presentation of Financial Information and Other Data."

Basis of Preparation

The Issuer's summary consolidated financial information presented below has been extracted or derived from: (i) the Unaudited Interim Condensed Consolidated Financial Statements; and (ii) the Audited Consolidated Financial Statements.

We completed the Viva Acquisition on December 3, 2013 and began consolidating the results of the Viva Group at and from that date. As a result, the Issuer's consolidated income statement and cash flow statement for the year ended December 31, 2013 (when the results of the Viva Group were only consolidated with the results of the Issuer for approximately one month) are not directly comparable to those for the year ended December 31, 2014 (when the results of the Viva Group were consolidated with the results of the Issuer for the entire period).

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements are included in the F-Pages to this Offering Memorandum.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the nine months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Adjusted Information

We also present below certain summary *Adjusted* Information. See "*Capitalization*," and for a description of the *pro forma* effect of the Refinancing, including the issuance of the Notes offered hereby and the application of the proceeds thereof, see "*Use of Proceeds*."

The *Adjusted* Information set forth below has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Exchange Act of 1934, the Prospectus Directive or any generally accepted accounting standard, including U.S. GAAP. Neither the adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with International Standards on Auditing (Italy) or any other auditing standards. The *Adjusted* Information should be read in conjunction with the historical consolidated financial statements and notes thereto of the Issuer, included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Twelve Months Ended September 30, 2016

The summary financial information for the twelve months ended September 30, 2016 is calculated by taking the results of operations of the Issuer for the nine months ended September 30, 2016 and adding to it the difference between the results of operations of the Issuer for the full year ended December 31, 2015 and the nine months ended September 30, 2015. The financial information for the twelve months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Summary Consolidated Income Statement Information

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
	(€ in thousands)					
Net revenues	212,327	362,133	434,842	323,371	335,142	446,613
Cost of sales	(81,883)	(145,360)	(178,981)	(133,525)	(141,983)	(187,439)
Gross profit	**130,444**	**216,773**	**255,861**	**189,846**	**193,159**	**259,174**
Distribution and marketing expenses	(101,688)	(169,250)	(199,598)	(150,419)	(148,429)	(197,608)
General and administrative expenses	(20,707)	(31,711)	(32,013)	(25,443)	(22,929)	(29,499)
Other operating income and expenses	1,910	4,120	3,867	3,067	1,291	2,091
Operating income—EBIT	**9,959**	**19,932**	**28,117**	**17,051**	**23,092**	**34,158**
Financial income and costs	(21,769)	(12,830)	(20,548)	(17,556)	(14,501)	(17,493)
(Loss)/Profit before taxes	**(11,810)**	**7,102**	**7,569**	**(505)**	**8,591**	**16,665**
Income tax expense	(201)	(6,695)	(10,082)	(5,291)	(3,648)	(8,439)
Net (loss)/profit for the period	**(12,011)**	**407**	**(2,513)**	**(5,796)**	**4,943**	**8,226**

Summary Consolidated Statement of Financial Position Information

	As of December 31,			As of September 30,
	2013	2014	2015	2016 (Unaudited)
	(€ in thousands)			
Property, plant and equipment	22,957	24,657	27,258	25,075
Intangible assets	29,341	37,213	46,043	47,915
Goodwill	266,833	278,010	288,225	285,280
Inventories	68,301	100,075	120,214	124,297
Trade receivables	71,827	80,576	85,115	66,938
Cash and cash equivalents	38,536	36,933	40,382	43,328
Other current and non-current assets	56,845	62,854	60,007	53,906
Total assets	**554,640**	**620,318**	**667,244**	**646,739**
Non-current financial liabilities	195,891	199,152	200,626	200,687
Current financial liabilities	17,707	41,353	58,226	62,800
Trade payables	65,263	102,322	120,787	108,985
Other current and non-current liabilities	60,804	54,678	57,681	46,559
Total liabilities	**339,665**	**397,505**	**437,320**	**419,031**
Total equity	**214,975**	**222,813**	**229,924**	**227,708**
Total liabilities and equity	**554,640**	**620,318**	**667,244**	**646,739**

Summary Consolidated Statement of Cash Flows Information

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)
	(€ in thousands)				
Net cash from/(used in) operating activities[(1)]	477	5,071	24,617	(10,367)	27,971
Net cash used in investing activities	(131,902)	(18,654)	(21,915)	(14,103)	(16,662)
Net cash from/(used in) financing activities[(1)]	125,468	8,244	(578)	11,128	(7,347)
Effect of foreign currency exchange rates	(707)	3,736	1,325	950	(1,016)
Net (decrease)/increase of cash and cash equivalents	**(6,664)**	**(1,603)**	**3,449**	**(12,392)**	**2,946**

(1) Interest paid has been reclassified from operating activities to financing activities.

Other and *Adjusted* Financial Information

	As of or for the year ended December 31,			As of or for the nine months ended September 30,		As of or for the twelve months ended September 30,
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
	(€ in thousands, except percentages)					
EBITDA[(1)]	15,875	29,384	39,731	25,421	33,031	47,341
Adjusted EBITDA[(1)]	26,228	43,831	50,202	34,936	35,029	50,295
Adjusted EBITDA margin[(2)]	12.4%	12.1%	11.5%	10.8%	10.5%	11.3%
Capital Expenditure [(3)]	4,157	12,166	21,915	14,194	17,607	n.a.
Net Indebtedness[(4)]	166,171	196,075	212,987	n.a.	214,948	n.a.
Movements in Trade Working Capital[(5)]	(8,843)	(4,587)	(5,937)	(35,001)	(2,847)	n.a.
Movements in Working Capital[(5)]	(14,819)	(11,019)	(9,706)	(39,194)	(2,272)	n.a.
Operating Free Cash Flow[(6)]	8,764	27,388	33,411	(10,827)	30,716	n.a.
Adjusted cash and cash equivalents[(7)]						29,602
Adjusted total financial debt[(8)]						275,926
Adjusted net financial debt[(9)]						246,324
Adjusted net senior secured debt[(10)]						232,455
Adjusted interest expense[(11)]						14,241
Ratio of Adjusted EBITDA to *Adjusted* interest expense						3.5x
Ratio of *Adjusted* net financial debt to Adjusted EBITDA						4.9x
Ratio of *Adjusted* net senior secured debt to Adjusted EBITDA						4.6x

(1) We define EBITDA as net profit for the period plus income tax expense, financial income and costs, amortization, depreciation and write-downs of receivables. We define Adjusted EBITDA as EBITDA adjusted for the effect of non-recurring transactions, such as one-off costs and other extraordinary charges, which are expected to occur infrequently. EBITDA and Adjusted EBITDA are not measurements of performance under IFRS and you should not consider EBITDA and Adjusted EBITDA as alternatives to operating income or consolidated profit or as a measure of our operating performance, cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or any other measures of performance under generally accepted accounting principles. We believe that EBITDA and Adjusted EBITDA are useful indicators of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate us. EBITDA and Adjusted EBITDA and similar measures may be used by different companies for different purposes and are often calculated in ways that reflect the circumstances of those companies. EBITDA and Adjusted EBITDA may not be indicative of our historical operating results, nor are they meant to be predictive of potential future results. See "*Presentation of Financial Information and Other Data—Non-IFRS Information.*"

The following table sets forth the calculation of EBITDA and Adjusted EBITDA from net profit for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
				(€ in thousands)		
Net (loss)/profit for the period	**(12,011)**	**407**	**(2,513)**	**(5,796)**	**4,943**	**8,226**
Income tax expense	201	6,695	10,082	5,291	3,648	8,439
Financial income and costs	21,769	12,830	20,548	17,556	14,501	17,493
Amortization and depreciation	5,466	8,958	10,954	7,789	9,498	12,663
Write-downs of receivables	450	494	660	581	441	520
EBITDA	**15,875**	**29,384**	**39,731**	**25,421**	**33,031**	**47,341**
Plant and offices closures[(a)]	—	—	2,752	2,392	641	1,001
Costs related to Viva integration[(b)]	—	9,383	7,127	6,531	—	596
Costs related to Viva acquisition[(c)]	1,042	—	—	—	—	—
Senior management changes[(d)]	2,789	2,023	592	592	1,244	1,244
Marcolin acquisition[(e)]	1,912	—	—	—	—	—
Restructuring of sales force[(f)]	1,404	—	—	—	—	—
Exceptional termination of licenses[(g)]	2,330	—	—	—	—	—
Other[(h)]	876	3,041	—	—	113	113
Adjusted EBITDA	**26,228**	**43,831**	**50,202**	**34,936**	**35,029**	**50,295**

(a) Plant and office closures relate mainly to the operating costs, including personnel costs and other operating expenses, of plants and offices for which we decided to discontinue the relevant operations. The adjustment reflects the operating costs from the date the decision was made to close the relevant plants or offices until the date of closure. In particular, they include the plants in Arizona, Harrogate and Canada, which were closed in April, November and December 2015, respectively, and other costs for facilities discontinued in 2016. There were no significant discontinued activities in 2013 and 2014.

(b) Costs incurred for the integration of the Viva Group. In particular, these costs refer to the one-off costs incurred in France (for severance paid for employee termination as well as costs to change in employment status of the French sales reps), the United States (costs for the actual closure of the Arizona plant and the relocation of logistics activities to New Jersey as well as severance paid to discontinued employees of the Arizona plant) and Canada (costs for the actual closure of the Canadian plant and the relocation of logistics activities to New Jersey as well as severance paid to discontinued employees of the Canadian plant).

(c) Primarily relates to advisory fees and other costs incurred in connection with the Viva Acquisition, which was completed on December 3, 2013.

(d) Non-recurring employment termination expenses incurred in connection with changes in top management, primarily related to the integration of the Viva Group.

(e) Primarily relates to advisory fees and other costs incurred in relation to the mandatory tender offer for the Issuer's shares conducted by PAI in 2013, and the consequent obligations.

(f) Costs incurred for restructuring the Italian and Brazilian sales forces.

(g) Primarily relates to expenses and losses incurred on two minor licenses that were terminated prior to their contractual expiration date. The One of the two licenses was terminated following impairment to the reputation of the brand, as a result of a scandal involving the designer, while the other license was terminated following the licensor's initiation of insolvency proceedings, resulting in damage to the brand reputation and a decrease in sales beyond the ordinary course of business.

(h) Primarily relates to non-recurring expenses incurred in the development of certain licenses and new business.

(2) We define Adjusted EBITDA margin as Adjusted EBITDA divided by net revenues.

(3) We define Capital Expenditure as investments for the period in property, plant and equipment and intangible assets, net of the proceeds from disposals, as presented in our statement of cash flows.

The following table sets forth the calculation of Capital Expenditure for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)
			(€ in thousands)		
Property, plant and equipment	2,645	5,424	7,085	6,569	2,041
Intangible assets	1,512	6,742	14,830	7,625	15,566
Capital Expenditure	**4,157**	**12,166**	**21,915**	**14,194**	**17,607**

(4) We define Net Indebtedness as the non-current financial liabilities and current financial liabilities net of cash and cash equivalents and financial assets.

The following table sets forth the calculation of Net Indebtedness for the periods indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
				(Unaudited)
		(€ in thousands)		
Cash and cash equivalents	(38,536)	(36,933)	(40,382)	(43,328)
Financial assets	(8,891)	(7,497)	(5,483)	(5,211)
Non-current financial liabilities[(a)]	195,891	199,152	200,626	200,687
Current financial liabilities	17,707	41,353	58,226	62,800
Net Indebtedness	**166,171**	**196,075**	**212,987**	**214,948**

(a) Includes current portion of non-current financial liabilities.

(5) We define Movements in Trade Working Capital as the movements in trade receivables, inventories and trade payables as derived from our statement of cash flows. We define Movements in Working Capital as Movements in Trade Working Capital further adjusted for movements in other receivables, other liabilities, current tax liabilities and use of provisions as derived from our statement of cash flows.

The following table sets forth the calculation of Movements in Trade Working Capital and Movements in Working Capital for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	(Unaudited)
			(€ in thousands)		
(Increase)/decrease in trade receivables	(1,300)	(10,553)	(7,068)	(9,388)	9,554
(Increase)/decrease in inventories	3,717	(27,821)	(18,932)	(12,092)	(1,665)
Increase/(decrease) in trade payables	(11,260)	33,787	20,063	(13,521)	(10,736)
Movements in Trade Working Capital	**(8,843)**	**(4,587)**	**(5,937)**	**(35,001)**	**(2,847)**
(Increase)/decrease in other receivables	(88)	(2,653)	(2,159)	153	450
Increase/(decrease) in other liabilities	(931)	3,113	5,016	1,020	(673)
Increase/(decrease) in other current tax liabilities	(1,383)	—	(3,742)	(739)	1,524
(Use) of provisions	(3,574)	(6,892)	(2,884)	(4,627)	(726)
Movements in Working Capital	**(14,819)**	**(11,019)**	**(9,706)**	**(39,194)**	**(2,272)**

(6) We define Operating Free Cash Flow as Adjusted EBITDA less capital expenditure for property, plant and equipment plus Movements in Working Capital.

The following table sets forth the calculation of Operating Free Cash Flow for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	(Unaudited)
			(€ in thousands)		
Adjusted EBITDA	26,228	43,831	50,202	34,936	35,029
Capital expenditure for property, plant and equipment	(2,645)	(5,424)	(7,085)	(6,569)	(2,041)
Movements in Working Capital	(14,819)	(11,019)	(9,706)	(39,194)	(2,272)
Operating Free Cash Flow	**8,764**	**27,388**	**33,411**	**(10,827)**	**30,716**

(7) *Adjusted* cash and cash equivalents represents cash and cash equivalents as of September 30, 2016, adjusted for the effects of the Refinancing as if the Refinancing had taken place on September 30, 2016. In particular, *adjusted* cash and cash equivalents represents the net reduction to cash and cash equivalents of €13.8 million arising from the Refinancing. Although the Issuer will pay Marmolada a portion of the €30.0 million in total dividends subsequent to the Issue Date, the available cash and cash equivalents have been adjusted to reflect the effects of the payment of the full amount of the dividends, even though certain amounts may be paid by the Issuer to Marmolada subsequent to the Issue Date. See "*Summary—Recent Developments—Vendor Loan Note Repayment*." We have, pursuant to the M/L JVA, agreed to contribute equity to satisfy the capital requirements of M/L JV on a pro rata basis with our 49% ownership of

M/L JV. *Adjusted* cash and cash equivalents has not been adjusted to reflect these future funding obligations. See "*Summary—Recent Developments—Joint Venture with LVMH*," "*Risk Factors—Risks Related to Our Business—We have entered into joint venture agreements with third parties in certain markets and to expand our brand portfolio, and we have certain obligations to make capital contributions in respect of such joint ventures in the future*" and "*Use of Proceeds*." In addition, given the seasonality, working capital movements and other factors of our business, January, February and March typically represent the months in which we have the highest amounts of working capital during the course of the entire year and, therefore, further borrowings under the New Revolving Credit Facility may be necessary during this period following the Issue Date to fund our working capital requirements. See "*Risk Factors—Risks Related to Our Business—Our business is affected by seasonality*." *Adjusted* cash and cash equivalents does not reflect adjustments for (i) $3.0 million (translated into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) in respect of the Viva Acquisition Deferred Payment or (ii) $1.5 million (translated into €1.3 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) in respect of the payment by Marcolin USA of the HVHC Tax Payment, which will be paid by Marcolin USA from cash on balance sheet on or about the Issue Date, but in no event later than February 15, 2017. Cash and cash equivalents as of December 31, 2016 equaled approximately €42.3 million. Cash and cash equivalents as of December 31, 2016 is an estimate based on our management's initial review of our results of operations, and has not been audited, reviewed or compiled by independent auditors.

(8) *Adjusted* total financial debt represents the principal amount of financial debt as of September 30, 2016, adjusted for the effects of the Refinancing. See "*Capitalization*" and "*Use of Proceeds*." *Adjusted* total financial debt includes €250.0 million relating to the Notes offered hereby, €10.0 million relating to drawings under the New Revolving Credit Facility as of the Issue Date, €13.9 million relating to the Bilateral Facilities, €1.1 million related to certain recourse (*pro solvendo*) factoring arrangements and €0.9 million relating to the Capital Leases. See "*Description of Certain Financing Arrangements*." *Adjusted* total financial debt is shown gross of unamortized estimated debt issuance costs of €6.5 million in connection with the Refinancing, and does not include €18.9 million of non-recourse (*pro soluto*) factoring outstanding as of September 30, 2016.

(9) *Adjusted* net financial debt represents *adjusted* total financial debt net of *adjusted* cash and cash equivalents.

(10) *Adjusted* net senior secured debt represents net senior secured debt comprised of the Notes, the Capital Leases, amounts outstanding under our recourse (*pro solvendo*) factoring arrangements amounts outstanding under the New Revolving Credit Facility as of September 30, 2016, adjusted for the Refinancing.

(11) *Adjusted* interest expense represents the historical interest expense, as adjusted to show the effects of the Refinancing as if the Refinancing had taken place on October 1, 2015 based, on the margin over three-month EURIBOR (with a 0% floor) in respect of the Notes offered hereby of 4.125% applied across the twelve month period and assuming €10.0 million was drawn under the New Revolving Credit Facility. *Adjusted* interest expense is calculated gross of the estimated €6.5 million debt issuance costs in connection with the Refinancing. *Adjusted* interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Refinancing occurred on the date assumed, nor does it purport to project our net interest expense for any future period or our financial condition at any future date.

Financial Information by Geographic Segment[1]

Net revenues	**For the year ended December 31,**			**For the nine months ended September 30,**		**For the twelve months ended September 30,**
	2013	**2014**	**2015**	**2015**	**(Unaudited) 2016**	**2016**
				(Unaudited)	**(Unaudited)**	**(Unaudited)**
				(€ in thousands)		
Americas[2]	96,440	173,218	210,736	160,694	146,345	196,387
Europe[3]	70,349	121,359	138,553	99,894	121,144	159,803
Italy	*14,933*	*21,223*	*26,555*	*18,845*	*23,167*	*30,877*
Rest of Europe	*55,416*	*100,136*	*111,998*	*81,049*	*97,977*	*128,926*
Asia[4]	20,067	28,137	38,573	27,649	26,493	37,417
Rest of World[5]	25,471	39,419	46,980	35,134	41,160	53,006
Total net revenues	**212,327**	**362,133**	**434,842**	**323,371**	**335,142**	**446,613**

(1) The geography of sale is attributed to the geographical area of the destination market. For example, all sales by the Issuer or a Subsidiary into Japan are attributed towards sales for the geographical area "Asia", regardless of which Group company initiated the sale. Prior to 2016, the Group, in its financial statements, presented net revenues based on the geography of the relevant parent or commercial subsidiary that generated the revenues, including to buyers located in a different geographical area. Management believes that presenting revenues based on the geographical area of the destination market provides better information for understanding the underlying trends and factors affecting the Group's net revenues. The net revenues by geography included in this Offering Memorandum have been restated to present information consistently throughout the periods based on the geographic destination and therefore differ from the analysis provided in the Audited Consolidated Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Line Items and Certain Key Performance Indicators—Net Revenues.*"

(2) Americas relates to net revenues generated in North, Central and South America.

(3) Europe is subdivided between (i) Italy, which relates to net revenues generated in the Italian market and (ii) Rest of Europe, which primarily relates to net revenues generated in Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom.

(4) Asia relates to net revenues generated in China, South Korea and the rest of the Asia Pacific region.

(5) Rest of World relates to all net revenues not generated in the above markets, and primarily includes the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

RISK FACTORS

An investment in the Notes to be issued in this Offering involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties that we describe below are not the only ones we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial could also have a material adverse effect on our business, results of operations or financial condition. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Business

We are party to license agreements which require us to pay royalty and other license fees and in some cases to make certain expenditures.

Our business depends on the sale of eyewear bearing the proprietary marks of our licensors. See *"Risk Factors—Risks Related to Our Business—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands."* While the Group's license arrangements differ from licensor to licensor, they generally provide for royalty payments that include royalties based on a percentage of net sales (VRAs) and/or certain minimum annual guaranteed amount (MAGs), which in general are paid annually and may include certain advertising fees payable to the relevant licensor or investments to be made by us, whose amounts are usually set (i) as a percentage of the greater of net sales or agreed-upon minimum revenue targets for the applicable license period, or (ii) as the greater of a percentage of net sales or a fixed amount (which, in certain instances, may vary from year to year). Under certain circumstances MAG provisions can relate to the sales of eyewear bearing the underlying proprietary mark of our licensors and may require us to make royalty payments that exceed the amount of income we are able to generate from actual sales of the licensed products. In addition, from time to time we may purchase options from our licensors which grant us the right to renew the relevant license agreement at expiry, we may pay renewal fees or we may make upfront advances of royalties or loans to licensors. Furthermore, renewal of a license can lead to renegotiation of commercial terms, which may not be as favorable as the original terms. As a result, there are circumstances in which our royalty payments to certain licensors could exceed our income earned pursuant to the relevant license, such as when we are renewing a key license or when the brand's value or perception thereof among consumers has become impaired.

We incurred total royalties of €33.1 million in 2013, €44.4 million in 2014 and €53.6 million in 2015, constituting, respectively, 15.6%, 12.3% and 12.3% of net revenues. Royalties to our licensors have the potential to be a significant cash outflow. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality."*

Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands.

We have entered into license agreements that enable us to manufacture and distribute sunglasses and prescription frames under brands owned by third parties. For the twelve months ended September 30, 2016, 97.9% of our net revenues were generated by sales of sunglasses and prescription frames bearing licensed brands, and for the year ended December 31, 2015 net revenues generated under agreements with our top ten licensors by net revenues accounted for 85.3% of our total net revenues. We believe that our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading designers in the fashion and luxury goods industries is essential to maintaining a successful brand portfolio and, therefore, material to the success of our business. License agreements for the brands representing 36.3% of our net revenues for the year ended December 31, 2015, will expire by the end of 2023, including five of our ten largest licenses expiring in 2018. We cannot assure you that the these licenses, or any of the other licenses that will expire by 2023, will be renewed. If we are unable to maintain and renew these licenses (or secure comparable replacements), or if we are unable to negotiate new license agreements with other leading brands, our business, results of operations and financial condition could be materially and adversely affected.

In addition, our licensors typically have final approval over all eyewear bearing their proprietary marks which must meet their design specifications and quality standards. In exercising their approval rights, licensors may

delay the distribution of eyewear bearing their proprietary marks. These delays could materially and adversely affect our business and results. Additionally, certain of our license agreements oblige us to present a pre-determined number of pieces and/or seasonal collections which requires us to expend sums on product design, R&D and prototyping, even if the licensor does not ultimately select all of the prototypes for industrialization or they may choose models that are costlier to produce. Moreover, a limited number of license agreements provide for a non-compete clause preventing the Issuer from entering into new license agreements in relation to competing brands. Furthermore, a limited number of our licenses contain provisions that permit a licensor to terminate the license in the event that there is a change of control of the Issuer, if we default on payment, if our key executives are replaced, if we outsource production without the consent of the licensor, if we sell models that are not approved by the licensor or if we sell products through distribution outlets that have not been approved by the licensor. However, certain other license agreements include provisions allowing licensors to terminate the relevant agreement if certain annual net sales minimums are not met or exceeded (or not met for certain consecutive years). If a licensor declines to renew a license at expiry, the impact to our business in terms of lost revenue may be significant. In other instances, in order to secure renewal, our licensors may require us to pay upfront compensation, renewal fees and/or advance payments of future royalties.

Although we have historically been able to retain important, profitable licenses while continuing to gain new licenses, there can be no assurance that we will be successful in maintaining existing licenses or gaining new licenses on comparable terms or at all.

The loss of one of our key license agreements could result in the loss of significant revenue and materially and adversely affect our business.

Our business depends on maintaining certain key license agreements, such as Tom Ford and Guess, and continuing to cultivate the brand equity of our licensed brands through continual product design. For the twelve months ended September 30, 2016, sales of eyewear under our top ten licenses by net revenues generated 85.3% of our total net revenues. Although we have always satisfied the minimum sales requirements to trigger the automatic renewal of our own license with such a renewal mechanism, we cannot guarantee that we will continue to meet the minimum sales requirements to trigger such automatic renewal. See "*Business—Our Business—Our Licensed Brands.*" Our licenses typically vary in length of term from five to ten years and contain different renewal conditions, license fees and royalty obligations. Certain of our license agreements cannot be terminated by the brand licensor based on performance related criteria, although the brand licensor may elect not to renew the license at expiry if we do not meet their performance expectations. However, certain other of our license agreements can be terminated by the licensor for example, for failure to meet minimum net sales, non-payment of royalties or a change of control of the Issuer. If we default under our obligations to pay license fees and/or royalty payments, the licensor may terminate the license, or elect to not renew the license at expiry. The termination or non-renewal of some of our licenses could have a material adverse impact on our business, results of operations and financial condition. See "*Business—Intellectual Property*" for more details regarding our license arrangements.

The eyewear industry is highly competitive, and certain of our principal competitors are significantly larger than us and may have greater financial resources than we do.

The wholesale market for sunglasses and prescription frames is highly competitive and competition is also based on, among other things, the range of products and brands offered, the price of sunglasses and prescription frames and the breadth of distribution networks. Certain of our principal competitors are significantly larger than we are and have greater financial resources for competitive activities, such as sales and marketing, research and development, strategic acquisitions. When bidding for licenses, these competitors can offer licensors more favorable minimum guaranteed amounts and variable payment terms. Our competitors may enter into business combinations, alliances or new license arrangements that strengthen their competitive positions or prevent us from taking advantage of such opportunities. They also may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or consumer preferences. Some of these competitors rely more extensively on proprietary brands and therefore do not pay license fees for sales of such products. Competitors may also possess broader distribution networks, with more extensive e-commerce and/or geographic reach than our own, including large networks of directly-operated stores. We may face intense competition with such players when seeking to acquire new licenses or renewing existing licenses with new or existing brands, putting pressure on us to either agree to terms less favorable than we have enjoyed in the past or lose such brands. Moreover, increased competition with these companies could curtail price increases or could require price reductions, increased spending on marketing, sales and research and development, any of which could adversely affect our business, results of operations and financial condition.

In addition, licensors may elect to change the licensee that designs, produces and distributes the eyewear bearing their respective brands for a variety of reasons, either at the applicable time of renewal or otherwise, subject to certain conditions in the applicable license agreement. In connection with such a change of licensee, prior to the commencement of design, production and distribution by such new licensee, the existing licensee typically takes steps to reduce its inventory of the relevant brand's products. As a result, price reductions in the market, rebates or liquidations can cause dislocations in the market by forcing other licensees to discount their offerings. Moreover, if the changing licensor is a luxury brand, demand may migrate from diffusion brands to such luxury brand if the price reductions are significant. Our competitors generally seek to expand their market share by licensing the brands of other market participants as such licenses expire. We cannot guarantee that we will successfully outbid our competitors as we seek to renew expiring brands. To the extent large licensors elect to change their respective licensees in the future, our revenue, margins and volumes could be negatively affected, which could have adversely affect our business, results of operations and financial condition.

If we are unable to successfully introduce new products, develop our brands and adapt to changing consumer preferences, our business may suffer.

The eyewear industry is subject to rapidly changing consumer preferences and fashion trends. The purchasing decisions of consumers are highly subjective and can be influenced by many factors, such as marketing programs, product design and brand image. Our historical success is attributable, in part, to our ability to introduce eyewear products which are perceived to anticipate, shape and reflect fashion trends develop. Our future success will depend on our continued ability to develop and introduce such products in accordance with consumers' shifting preferences. We cannot predict whether the new products we launch will be well-received by consumers in our target markets and/or demographics, or even whether such new products can be introduced in a cost-effective or timely manner. Decisions regarding product design must be made months in advance of the time when consumer acceptance can be measured and, therefore, such decisions are inherently uncertain. These requirements could strain our management, financial and operational resources. We may also be less successful in developing new products than our competitors.

Changes in fashion preferences could also affect the popularity and, therefore, the value of the brand licenses granted to us. Moreover, demand for our licensed brands is, to some extent, dependent on the particular brand's or associated designer's appeal and/or reputation. To the extent that any of our licensed or proprietary brands or the designer associated therewith ceases to be appealing to consumers or its reputation with consumers is adversely affected, sales of the related products and the value of the brand could decrease materially. Any event or circumstance resulting in reduced market acceptance of one or more of our brands could reduce our sales and the value of our inventory. Unanticipated shifts in consumer preferences may result in excess or obsolete inventory and underutilized manufacturing capacity. In addition, our success depends, in part, on our ability to anticipate and react to changing fashion trends in a timely manner. Any sustained failure to identify and respond to such trends could adversely affect our business, results of operations and financial condition.

We may be unable to achieve our operating and strategic objectives.

Our business prospects and future success depend, in part, upon our ability to further penetrate developing eyewear markets, improve integration of our global production and distribution, reduce time to market, increase our market share in the eyewear industry and achieve the operating and economic objectives set forth in the business plan approved by our directors and discussed in the explanatory notes to our financial statements contained elsewhere in this Offering Memorandum. Our business plan is based on a series of projections and estimates relating to the occurrence of future events and market conditions which may or may not take place. As of September 30, 2016, we are party to licensing agreements with 26 brands, for which we manufacture and sell eyewear in approximately 125 countries in over 77,534 POS through nine direct subsidiaries, over 150 partner distributers and three controlled joint ventures. Expanding our portfolio with distinctive brands, reducing time to market for our existing production and maximizing operational efficiency of our global production and distribution are key aspects of our strategy, and we are devoting substantial resources to each endeavor. If we fail in implementing our strategies or we underestimate the risks deriving therefrom, our business, results of operations and financial condition could be adversely affected.

In addition, as discussed in the explanatory notes to our financial statements and mentioned elsewhere in this Offering Memorandum, following the Viva Acquisition the financial condition and operating results of our Group have been impacted by the non-recurring costs of integrating our operations with those of the Viva Group, including costs and resources allocated to the organizational and operational restructuring of every stage of production and distribution in all regions where we operate. The integration of the Viva Group was completed in

2015. Achievement of operating and financial results substantially consistent with expected growth in revenue and margins is necessary to preserve our market position and our relationships with licensors. Our results may differ, including significantly, from the expected operating and economic-financial results set out in our business plan, which could have a material adverse effect on our business, results of operations and financial condition.

Unfavorable economic conditions and political uncertainty, particularly in Italy, could adversely affect demand for our products and/or our ability to finance our business.

Our operations and performance depend significantly on worldwide economic conditions. Downturns in global economic conditions and uncertainties regarding future economic prospects, which affect consumer disposable income, pose a risk to our business because consumers and businesses may postpone spending in response to tighter credit markets, unemployment, negative financial news and/or declines in income or asset values, which could have a material adverse effect on demand for our products. In particular, according to the Italian statistical agency, the Italian economy was in recession from 2012 through 2014, which has affected consumer confidence. Discretionary spending is affected by many factors, including general business conditions, inflation, interest rates, consumer debt levels, unemployment rates, availability of consumer credit, conditions in the real estate and mortgage markets, currency exchange rates and other matters that influence consumer confidence. Many of these factors are outside our control. Purchases of discretionary items such as sunglasses could decline during periods in which disposable income is lower or prices have increased in response to rising costs or in periods of actual or perceived unfavorable economic conditions. We believe purchases of prescription frames are less discretionary. Sales of prescription frames generated approximately 51.4% of our net revenues for the twelve months ended September 30, 2016.

In addition, adverse economic conditions may influence consumers to move from luxury, branded frames or sunglasses to less expensive alternatives. Although our products cover a wide range of price points, consumers could decide to purchase non-branded frames.

Moreover, we depend on access to capital funding and the success of financial markets. Financial markets have been experiencing extreme disruptions including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades on certain investments and declining valuations of others. In December 2014, Standard and Poor's downgraded Italy's sovereign debt rating to just above sub-investment grade, reflecting their views on Italy's lower-than-expected economic growth and its vulnerability to external financing risks and the negative implications these could have for future economic growth and public finances as well as fragile market confidence and deterioration of Italy's near-term economic outlook. A further downgrade of the Italian sovereign debt could create additional economic uncertainty and could have an adverse effect on our credit ratings.

More generally, global credit and capital markets have experienced volatility and disruption and business credit and liquidity have tightened. Credit has also contracted in a number of major markets, including Italy, and national unemployment rates have increased significantly. Economists, observers and market participants have expressed concern regarding the sustainability of the EU and its common currency, the euro, in their current form. See "*Risk Factors—Risks Related to Our Business—The United Kingdom's pending withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.*" In particular, on December 4, 2016 a majority of voters in Italy voted to defeat a referendum that would have, among other things, revised Title V of the Italian constitution and overhauled the structure of the Italian parliamentary system. While the failure to revise the Italian constitution will not have a direct effect on our operations, the Italian government's resignation in the wake of the referendum's defeat, some experts believe, may have negative consequences for the Italian economy, Italian creditors and Italy's future in the European Union. As of the date of this Offering, the Italian President has nominated a caretaker government led by Paolo Gentiloni to serve until national elections can be held in 2018. Furthermore, in the United States, while the slow economic recovery appears to be sustainable, there is uncertainty as to market and other impact of the new Donald J. Trump administration and of the newly-elected Congress, and these factors may impact consumer confidence.

Uncertainty about future economic conditions makes it difficult for us to forecast operating results and to make decisions about future investments and it could result in lack of access to capital markets to refinance existing debt that will mature prior to the Notes. The effects of the recent crisis in the global financial and credit markets remain a drag on non-financial sectors of the world economy. Several European economies still face the risk of a sovereign debt crisis and, having received financial assistance from the International Monetary Fund and the European Financial Stability Facility, may require further official support to finance future deficits. We may face

significant challenges if conditions in the financial markets do not improve or if they worsen. In addition, our ability to access the capital markets may be restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions, all of which could have a material adverse effect on our business, results of operation and financial condition.

The United Kingdom's pending withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We distribute eyewear into a number of markets in the European Union through various subsidiaries, including the United Kingdom. For the twelve months ended September 30, 2016, sales in the United Kingdom accounted for 3.8% of the Group's net revenues. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. In January 2017, the Prime Minister of the United Kingdom announced the United Kingdom's intention to fully exit from the European Union, including from its Single Market and the British Parliament voted to authorize the government of the United Kingdom to commence withdrawal negotiations and procedures. The terms of the withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. The pending withdrawal has created significant uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal.

Our business faces uncertainties as a result of the outcome of this pending withdrawal. Heightened uncertainty around the economies of the United Kingdom and the greater European Union may have a negative impact on consumer confidence, thereby reducing demand for discretionary items like sunglasses. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines, and negotiates with the European Union regarding, which European Union laws will be replaced or replicated in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, environmental, health and safety laws and regulations, immigration laws and employment laws, could increase our costs, depress economic activity and restrict our access to capital. If the United Kingdom were to withdraw from the European Union Single Market, it would likely be subject to additional export expenses and increased trade barriers, which may impact our results of operations. Any increased costs may be difficult to pass through to our customers.

Furthermore, the pending departure from the European Union by the United Kingdom has resulted in a decrease of the value of the British pound sterling. Our operations are subject to fluctuations in exchange rates, including such fluctuations in the value of the British pound sterling. Any further decrease in the value of the pound sterling could have a negative effect on our existing relationships with our suppliers or customers in the United Kingdom, resulting in a negative impact on our business, financial condition and results of operations. See "*Risk Factors—Risks Related to Our Business—We are subject to exchange rate fluctuations.*"

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business, results of operation and financial condition and reduce the price of the Notes.

Our business may be adversely affected by developments in sovereign debt markets and by the exit from the Eurozone of one or more current Eurozone states.

In recent years, sovereign debt crises in Greece, Ireland, Portugal, Spain and Cyprus have led to concerns about the ability of some EU states, including Italy, to service their sovereign debt obligations. These concerns impacted financial markets and resulted in high and volatile bond yields on the sovereign debt of many EU nations, indicating a reassessment of the associated risks. Despite measures undertaken by the European Central Bank, concern remained among investors that some countries in the Eurozone might default on their obligations, which resulted in a general reduction in financing, greater volatility in the overall markets and acute difficulties

in obtaining liquidity internationally. On more than one occasion, fears arose that the European Monetary Union might be dissolved, or that individual member states might leave the single euro currency. These fears were rekindled in June 2015, when Greece defaulted on a debt to the International Monetary Fund.

Market and economic disruptions stemming from the crisis in Europe have affected, and may continue to affect, the inflow of capital, consumer confidence levels and spending, bankruptcy rates, levels of incurrence of and default on consumer debt, and home prices, among other factors. There can be no assurance that market disruptions in Europe, including the increased cost of funding for certain government institutions, will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize the affected countries and markets in Europe or elsewhere. The possible exit from the Eurozone of one or more European states and/or the replacement of the euro by one or more successor currencies could cause significant market dislocations and lead to adverse economic and operational impacts that are inherently difficult to predict or evaluate. See *"Risk Factors—Risks Related to Our Business—Unfavorable economic conditions and political uncertainty, particularly in Italy, could adversely affect demand for our products and/or our ability to finance our business" and "—The United Kingdom's pending withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business."* Moreover, disruptions in Europe may restrict our access to capital and impair our ability to refinance our debt, all of which could have a material adverse effect on our business, results of operations and financial condition.

We are subject to exchange rate fluctuations.

Our reporting currency is the euro and we conduct transactions in currencies other than the euro. As a result, we are vulnerable to exchange rate fluctuations because:

- we incur some of our manufacturing costs in U.S. dollars, and to a lesser extent in Hong Kong dollars, Russian rubles and Canadian dollars, among others, and generate a substantial portion of our net revenues in other currencies, particularly U.S. dollars, British pounds sterling, Canadian dollars and Brazilian real, among other currencies; therefore, a strengthening of the euro relative to such other currencies in which we generate sales could negatively impact our operating margins, which could adversely affect our business; and
- a portion of our assets, liabilities, net revenues and costs are denominated in various currencies other than the euro; as a result, our operating results, which are reported in euro, are affected by exchange rate fluctuation. For example, Marcolin do Brasil reported net losses of €6.4 million and €1.8 million for the years ended December 31, 2015 and 2014, respectively, affected by significant unrealized foreign exchange losses due to the depreciation of the real against the euro.

For the year ended December 31, 2015, approximately 38.6% of our net revenues was denominated in euro, approximately 47.8% in U.S. dollars and approximately 13.6% in other currencies. Consequently, portions of our costs, profit margins and asset values are affected by fluctuations in the exchange rates among the above-mentioned currencies. For example, following European and American elections and referenda in 2016, the euro experienced significant fluctuations and devaluation, contributing in part to the decreases in net revenues on a constant currency basis. Further weakening of the euro against other currencies in which we incur costs relative to our euro-denominated sales could have a material adverse effect on our business, results of operations and financial condition.

In the past, we entered into foreign exchange forward contracts to mitigate the foreign exchange risk on U.S. dollars primarily resulting from purchases of finished and semi-finished products from China. Now, however, as we believe we have a natural hedge against transaction foreign currency risk, we did not have any open foreign currency derivatives contracts as of September 30, 2016. To the extent balances change in the future or foreign currency exchange rates fluctuate significantly in the future, our cash flows, financial condition and results of operations could be materially adversely affected. Some of the currencies may not be convertible or exchangeable or may be subject to exchange controls. In addition, where possible, our subsidiaries may enter into local funding and/or leasing arrangements denominated in their functional currency.

Exchange rate gains or losses have arisen and will continue to arise when the assets and liabilities in foreign currencies are translated or exchanged into euro for financial reporting or repatriation purposes. If the foreign currencies depreciate against the euro, this may adversely affect our reported consolidated financial results.

We are exposed to risks in relation to compliance with anti-corruption laws, anti-bribery laws and regulations and economic sanction programs.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions. We are also required to comply with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the U.K. Bribery Act and similar worldwide anti-bribery laws which generally prohibit companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business, as well as other regulations and economic sanction programs in the countries where we conduct our international operations (collectively, "***Sanctions***"). Economic sanctions programs may restrict our business dealings with certain sanctioned countries. As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and Sanctions regulations applicable in those countries where we, our partners or agents operate. Our continued expansion and worldwide operations, including the employment by us of local agents in the countries in which we operate, increase the risk of violations of anti-corruption laws, anti-bribery laws or similar laws. Violations of anti-corruption laws, anti-bribery laws and Sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We cannot provide assurance that reckless and criminal acts will not be committed by our employees and agents. In addition, any major violations could have a significant material adverse impact on our reputation and consequently on our ability to win future business and on our business, financial condition or results of operations.

Although we believe that we have adequate systems of control, we seek to continuously improve our systems of internal controls and to remedy any weaknesses we identify through appropriate corrective action depending on the circumstances. There can be no assurance, however, that our policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, if we fail to prevent any such violations, we could be subject to penalties and material adverse consequences on our overall business, results of operations and financial condition.

Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers.

We own and operate a manufacturing and logistics facility in Italy and we operate a leased manufacturing and logistics center in the United States. Certain of our products are manufactured pursuant to our specifications by third-party manufacturers in China or are otherwise sourced as input parts from third-party manufacturers in China. In addition, we distribute our finished goods internationally through our distribution centers in Italy and the United States and domestically through in-country joint ventures and subsidiaries worldwide. We rely on our manufacturing and distribution centers to design, manufacture and/or assemble our products and efficiently distribute our goods to the relevant point of sale. All of these facilities are subject to operational risks, including, but not limited to:

- equipment failure or interruptions in power supplies;
- failure to comply with applicable regulations and standards;
- failure to maintain necessary permits and approvals;
- material supply disruptions;
- import quotas;
- labor force shortages or work stoppages;
- events impeding or increasing the cost of transporting our products, including enhanced security measures at foreign and U.S. ports;
- natural disasters; and
- terrorist attacks or political unrest.

Any significant disruption in operations to our manufacturing facilities or our distribution centers resulting from these or other events may, to the extent not covered by our business interruption insurance or if such insurance claims are not paid promptly, have a material adverse effect on our business, results of operations and financial condition.

Additionally, following the Viva Acquisition we have geographically consolidated our logistical and distribution operations for our U.S. and European markets from our facilities in the U.S. and Italy. While we believe that the creation of these two hubs has increased distribution efficiency, reduced costs and shortened the distance to our end customers, it has also broadened the impact that localized delays in any of these three hubs may have on our overall business, results of operations and financial condition.

In addition to our own manufacturing, we also utilize third-party manufacturers and suppliers, mainly located in Asia, to produce certain products. Certain of our diffusion, and proprietary brand products are manufactured solely in China and certain components of our luxury brands are sourced from third-party Chinese manufacturers antecedent to their completion in Italy or the United States. While we believe the opening of the new Fortogna facility in 2015 has decreased our reliance on third party suppliers, a significant portion of our net revenues from our diffusion brands for the year ended December 31, 2015 were generated from the sale of products manufactured by, or using components sourced from, third-party manufacturers in China.

The use of third-party manufacturers entails a number of additional risks, including the risk of termination, inadequate labor practices and less control over the quality of manufactured products. We do not maintain long-term or guaranteed supply contracts with third-party manufacturers. While we believe that such annually-renewing supply agreements afford us leverage to renegotiate supply contracts at reduced prices in an increasingly competitive supplier market, there is a risk that any new suppliers we engage will not provide adequate quantities with sufficient quality on a timely basis. Furthermore, while we do not believe that any one third-party manufacturer is material to our business, there can be no assurance that alternate sources can be procured at reasonable terms, or at all, if problems arise with existing suppliers. If we are unable to obtain necessary items on a timely basis, at acceptable prices, and of sufficient quality, we could lose current or future business or its reputation in the marketplace could suffer. Any delays, disruptions or defects in the products furnished by third-party manufactures, or disruption or termination of our present arrangements with third-party manufacturers without suitable alternative arrangements in place, could have a material adverse effect on our business, results of operations and financial condition. See "*Risk Factors—Risks Related to Our Business—If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer*."

We have recently reduced the number of principal third-party manufacturers in China that we utilize for finished and semi-finished products from 13 to seven. Management believes that reducing the number of third-party manufacturers has the potential to shorten the production cycle and promote efficient re-ordering, but it also makes us more dependent on the remaining manufacturers. While we do not believe that any one of our manufacturers is material to our business, as we do not have long-term agreements with any of our manufacturers, we cannot be certain that we will not experience difficulties with them, such as reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs and failures to comply with our requirements for the proper utilization of our intellectual property. In addition, our international manufacturers are subject to economic, regulatory, labor and market conditions in China. If our relationship with any of our manufacturers is interrupted or terminated for any reason, including the failure of any manufacturer to perform its obligations to us, we would need to locate alternative manufacturing sources. The establishment of new manufacturing relationships involves numerous uncertainties, and we may not be able to obtain alternative manufacturing sources in a manner that would enable us to meet our customer orders on a timely basis or on satisfactory commercial terms. If we are required to change any of our major manufacturers, we may experience increased costs, disruptions and delays in the manufacture and shipment of our products. Furthermore, in 2016 we established a subsidiary with a permanent team in China to monitor all third-party manufacturing activities contracted in Asia by the Group ("**MTS**"). While we believe that MTS has strengthened our contact with third-party manufacturers, shortened lead teams, and decreased errors and delays through centralized quality control procedures in close proximity to production, any localized delays, errors or work stoppages by MTS could significantly impact the Group's operations globally, which could have a material adverse impact on our business, results of operations and financial condition.

If vision correction alternatives to prescription eyeglasses become more widely available or decline in cost, or consumer preferences for such alternatives increase, our profitability could suffer through a reduction of sales of prescription frames.

Our business could be negatively impacted by the increased availability, acceptance and potential decline in cost of vision correction alternatives to prescription eyeglasses, such as contact lenses and refractive optical surgery. According to Taiyou Research, contact lenses and contact lenses care represent 21% of the global optical market

for the year ended December 31, 2015 (as compared to 36% for prescription frames and sunglasses, 38% for corrective lenses and 5% for readers (non-prescription reading glasses). In addition, the use of refractive optical surgery and other similar techniques has grown substantially since the first phototherapeutic keratectomy procedure was approved by the U.S. Food and Drug Administration in 1995. Increased use of vision correction alternatives could result in decreased use of our prescription eyewear products, including a reduction of sales of prescription frames, which could have a material adverse impact on our business, results of operations and financial condition.

If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer.

Our ability to develop and sell our eyewear products is dependent on the availability of raw materials and semi-finished goods used in our fabrication of sunglasses and prescription frames. Generally, the raw materials and components used in our products are available in sufficient supply from a number of suppliers. However, certain products with innovative fashion content, such as lenses with innovative coatings or coloring, or unusual materials, such as special types of plastics produced only for us, are not generally available from a number of alternative sources. Until now, we and our third-party manufacturers have been able to identify and purchase quality raw materials, semi-finished goods and finished goods to support our production volumes and sales requirements while preserving our high quality standards. If we and our third-party manufacturers experience shortages, limited access or increased costs (through inflationary pressures or otherwise) of certain raw materials and other semi-finished or finished goods, it may result in production delays or delays in deliveries of our products to our customers. As a result, we could experience cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could harm our business, results of operations and financial condition.

If we fail to maintain an efficient distribution network in our highly competitive markets, our business, results of operations and financial condition could suffer.

The luxury and diffusion categories of the sunglasses and prescription frame markets in which we operate are highly competitive. See "*Risk Factors—Risks Related to Our Business—The eyewear industry is highly competitive, and certain of our principal competitors are significantly larger than us and may have greater financial resources than we do*." We believe that, in addition to successfully introducing new products, responding to changes in the market environment and maintaining superior production capabilities, our ability to remain competitive is highly dependent on maintaining an efficient distribution network. One of the key objectives of this strategy is to strengthen our existing distribution network. This effort will require additional expenditures and may not be successful, due to the difficulty of coordinating improvements across our sales force, distribution subsidiaries located in key markets around the world and the third-party distributors that sell our products in non-core countries.

If we are unable to maintain an efficient distribution network, our sales may decline due to the inability to timely deliver products to customers and our profitability may decline due to an increase in our per unit distribution costs in the affected regions, either of which may have a material adverse impact on our business, results of operations and financial condition.

Our business could be harmed if we fail to maintain proper inventory levels.

The product purchase lead times required by our manufacturing process (both internal and external, to the extent it is outsourced or dependent on third parties) is generally longer than our customer order fulfillment requirements due to the nature of our industry. We therefore maintain an inventory of selected products that we anticipate will be in high demand. For a number of reasons discussed under "*Risk Factors—Risks Related to Our Business—If we are unable to successfully introduce new products, develop our brands and adapt to changing consumer preferences, our business may suffer*," we may be unable to sell the products we have produced or ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could impair our reputation and/or that of our brands and have a material adverse impact on our business, results of operations and financial condition.

Conversely, if we underestimate consumer demand for our products or if we and/or third-party suppliers or manufacturers fail to supply the quality products that we require at the time our customers need them, we may experience inventory shortages. Inventory shortages could delay shipments to customers, negatively impact sales,

customer relationships and brand loyalty, and have a material adverse impact on our business, results of operations and financial condition.

Our business is affected by seasonality.

Our business is affected by economic factors and seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half. Such seasonality may cause working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volumes and timing of sales of sunglasses, and correspondingly, the payment of royalties to licensors. In particular, due to the asymmetry of distribution costs due and the collection on accounts receivable at the beginning of each calendar year, our working capital is typically higher during the first financial quarter. These factors, among other things, make forecasting more difficult and a failure to properly manage the seasonal aspects of our business may have a material adverse effect on our business, financial condition and results of operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Financial Condition and Results of Operations—Seasonality.*"

We face international business, political, operational, financial and economic risks because of the international scope of our operations.

We currently have nine direct subsidiaries, over 150 partner distributers and three controlled joint ventures, and our products are sold in approximately 125 countries. We are therefore subject to risks inherent in international business, many of which are beyond our control, including, among others:

- the impact of the implementation of the U.S. Patient Protection and Affordable Care Act (the "**ACA**") which changes how health insurance services (including vision) are covered, delivered and reimbursed and may result in changes difficult to predict, which may lead to many consumers changing (or being obliged to change) insurance plans that could offer lower levels of coverage and reimbursement of prescription eyewear, we may also be affected by, or any other insurance law or policy changes in the future, including the impact of uncertainty surrounding, or any potential changes, limitations or reversal of the ACA by the Donald J. Trump administration;
- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses and compliance with foreign laws, including employment laws in foreign countries in which we have employees and consultants;
- transportation delays and difficulties of managing international distribution channels and suppliers;
- longer payment cycles and greater difficulty collecting customer accounts receivable;
- ability to finance our foreign operations;
- fluctuations in currency exchange and currency controls;
- economic downturns in foreign countries or geographic regions in which our manufacturers are located, such as China and Italy, which among other things, may expose the operations of our manufacturers to risk and increase our manufacturing costs;
- trade restrictions, higher tariffs and changes to existing, or the imposition of additional, regulations relating to import or export of our products, including those that may occur following the exit of countries from the EU or single euro currency;
- local content laws requiring that certain products contain a specified minimum percentage of domestically produced components;
- unexpected changes in regulatory requirements, royalties and withholding taxes that restrict the repatriation of earnings and affect our effective income tax rate due to profits generated or lost in foreign countries;
- political and economic instability, including wars, terrorism, political unrest, exit of countries from the EU or single euro currency, boycotts, curtailment of trade and other business restrictions; and
- difficulties in obtaining the protections of the intellectual property laws of other countries.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable; however the effects of any of these occurrences, or combination thereof, could have a material adverse impact on our business, results of operations and financial condition.

Our third-party distributors could take actions that could harm our business.

Our third-party distributors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Third-party distributors are independent third parties that we do not control, and third-party distributors own, operate and oversee the daily operations of their respective businesses; they may not commit the necessary resources to market, sell our products to the level of our expectations, or use labor practices acceptable to us. As a result, if third-party distributors do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, or they take actions which damage our reputation or the brand image of our products and/or licensed brands, we could be subject to legal claims or otherwise our reputation may be adversely affected. Certain foreign laws are protective of the rights of third-party distributors and may make it costly to terminate them. In addition, our relationship with our licensors could become strained if actions or omissions by third-party distributors are imputed to us.

New or changing laws, regulations and government policies regarding improved fuel economy, reduced greenhouse gas and other emissions, and car safety may have a significant effect on our cost of operations and how we do business.

Our products and manufacturing are subject to changing laws, regulations and policies throughout the world. Please see "*Business—Regulation*" for an overview of some of these laws, regulations and policies. We expect the number and extent of legal and regulatory requirements and the related costs of changes to our product portfolio to increase in the future. To comply with current and future environmental regulations, we may have to incur additional capital expenditure and research and development expenditure to upgrade products and plants, which would have an impact on our cost of production and our results of operations and may be difficult to pass through to our customers. If we are unable to develop commercially viable technologies within the time frames set by the new standards, we could face significant civil penalties or be forced to restrict product offerings drastically to remain in compliance. We anticipate that the number and extent of these regulations, and their effect on our cost structure and product portfolio, to increase in the future.

Changes in our tax rates or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in Italy, the United States and numerous other foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. We also are regularly subject to the examination of our income tax returns by the U.S. Internal Revenue Service, the Italian tax authority as well as the governing tax authorities in other countries where we operate. We routinely assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes of the current ongoing examinations and possible future examinations will not materially adversely affect our business, results of operations, financial condition and prospects.

We may incur liability and costs in connection with asbestos-containing materials present at certain of our facilities.

Asbestos-containing materials ("**ACM**") were formerly commonly used as building materials such as insulation or tiling in industrial buildings. The use of ACM was standard practice throughout the world until the late 1970s when it began to be phased out. Given the varying ages of our facilities, ACM could be present at certain of our facilities which could subject the Group to certain risks and costs. As a result, we could incur substantial ongoing capital and operating expenditures in connection with compliance with current and future safety and health regulations requirements. Moreover, any violations of these requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs and claims for personal injury or property damages that certain of our employees or third parties may allege to have suffered. Should we face any such claims or should we be responsible for substantial fines or penalties or other civil or criminal sanctions, this may have a material adverse effect on our business, results of operations, and financial condition.

We may make acquisitions or business combinations that prove unsuccessful or strain or divert our resources.

We may pursue strategic acquisitions in the future to further support our growth and profitability. Successful growth through future acquisitions or business combinations is dependent on our ability to identify suitable

acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms, obtain required licenses and authorizations, and ultimately complete such transactions and integrate them into our group. If we make acquisitions or business combinations, we may not be able to generate expected margins or cash flows, or realize the anticipated benefits of such transactions, including growth or expected cost savings and revenue synergies. Our assessments of and assumptions regarding acquisition or business combination targets may prove to be incorrect, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions or business combinations successfully and such integration may require more investment than we expected, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to licensors, customers, employees, suppliers, government authorities or other parties. The process of integrating acquisitions or business combinations may also be disruptive to our operations, as a result of, among other things, unforeseen legal, regulatory, contractual and other issues, difficulties in realizing operating synergies or a failure to maintain the quality of products that we have historically produced which could cause our results of operations to decline. Moreover, any acquisition or business combination may divert management's attention from our day-to-day business and may result in the incurrence of additional debt. The occurrence of any of the above in connection with any recently completed or future acquisition or business combination, could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to protect our license and trademark rights from others, or if counterfeiting increases, our business may suffer, and we may incur significant additional costs.

We rely on trade secret, unfair competition, trade dress, patent, trademark and copyright laws to protect our rights to certain aspects of our products, including product designs, proprietary manufacturing processes and technologies, product research, concepts and recognized trademarks. However, pending trademark applications may not in all instances result in the issuance of a registered trademark, particularly if such applications are opposed by third parties and registered trademarks may not be effective in thwarting competition or be held valid if subsequently challenged. In addition, the trademark registration procedure and the relevant requirements vary from country to country and, therefore, we cannot guarantee that all of our trademark applications will be accepted in each country. Furthermore, the actions we take to protect our proprietary rights or the proprietary rights of our licensors may be inadequate to prevent counterfeiting of our products. Moreover, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or of the member states of the European Union. See "*Business—Intellectual Property.*" We may not prevail in any litigation or other legal process to defend our intellectual property rights or we may compromise or settle such claims for a variety of reasons and any such legal processes may have a material cost to us. An adverse determination in any dispute involving our proprietary rights could, among other things, (i) require us to grant licenses to, or obtain licenses from, third parties, (ii) prevent us from manufacturing, selling or importing our products, (iii) require us to discontinue the use of a particular trademark, copyright or trade secret or (iv) subject us to substantial liability.

Given the popularity of our products, we believe there is a likelihood that counterfeit products or other products infringing on our trademarks or licensed brands will continue to emerge. In order to combat counterfeit goods, we have and may continue to be required to spend significant resources to monitor and protect our intellectual property rights. Although we have taken steps to prevent further counterfeiting, we may not be able to detect or prevent all instances of infringement and may lose our competitive position in the market before we are able to do so. If the quality of counterfeit products is not representative of the quality of our genuine products, further damage could be done to the reputation of our licensed brands. Any of these possibilities could have a material adverse effect on our business, results of operations and financial condition.

If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed.

A key element of our marketing strategy is to undertake advertising and promotional activities in support of our licensed brands. For the year ended December 31, 2015, we spent €31.3 million, or 7.2% of net revenues, on advertising and public relations expenses. In addition, we make regular payments to certain of our licensors in the form of advertising fees, however, with respect to such monies, we generally exercise little control over the nature and priorities of the related spending. See "*Business—Intellectual Property—License Agreements*." Therefore, there can be no assurance that such advertising and promotional activities by our licensors will be successful, will target customers and consumers in our core markets, or will be relevant to the sunglasses and prescription frames markets. In addition, we undertake direct advertising and promotional activities, namely the creation of POS display materials, catalogues and display materials for trade fairs and exhibitions. We also obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevancy and authenticity of our brands and to support new products. We can provide no assurance that our advertising and promotional activities will be successful in promoting and maintaining brand awareness.

Our business requires capital expenditures which may divert cash flow from other investments or uses, including debt servicing.

Our activities require capital expenditures. We currently manage design, manufacturing and distribution facilities in Italy and the United States as well as distribution centers in Russia, China and Nordic Europe and Brazil. For each season, we must work closely with our licensors to produce and present a range of prototypes for the upcoming collections of eyewear and we must undertake a range of promotional activities in connection with supporting the appeal of our brands among consumers and our distribution network. For the years ended December 31, 2013, 2014 and 2015, capital expenditures were €4.2 million, €12.2 million and €21.9 million, respectively, related to payments to certain licensors, machinery maintenance/replacement and standard general administrative and IT costs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures*." We can provide no assurance that our capital expenditure will not increase, and such increases may divert significant cash flows from other investments or uses, including debt servicing, which could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk related to our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts.

As of December 31, 2015, we had approximately €85.1 million in trade receivables from customers resulting from sales of eyewear products to independent opticians that comprise the majority of our customers in Western Europe for which we typically invoice such customers at the time of dispatch. Although we review the credit risk related to our customers regularly, such risks may be exacerbated by events or circumstances that are inherently difficult to anticipate or control. While many customers pay their receivables within 60 to 120 days, we can provide no assurance that we will not experience an increase in late payments. Our provision for doubtful debts was €5.9 million as of December 31, 2015, representing approximately 6.5% of our gross trade receivables but we cannot guarantee that these provisions will be sufficient. The amount of our provision for doubtful debts is based on our assessment of historical collection trends, business and economic conditions and other collection indicators. However, we can make no assurance that bad debts associated with delinquent payments or nonpayment by our corporate customers will not increase. Furthermore, in the event that our partners and retailers are not able to timely pay the amounts due to us, we may need to implement certain specific debt management plans which, while allowing our partners and retailers to continue their operations, may entail a reduction or a deferral of the payments due to us.

If the macroeconomic conditions in our core markets deteriorate, we cannot assure you that we will not have to increase our provisions for doubtful debts relating to trade receivables, which could have a material adverse effect on our business, results of operations and financial condition.

Higher employment costs may have a material adverse effect on our business, financial condition and results of operations.

Labor costs have been increasing steadily in our business over the past several years. Our labor costs may rise faster than expected in the future as a result of increased workforce activism, government decrees and changes in social and pension contribution rules meant to reduce government budget deficits or to increase welfare benefits to employees. We may not manage to offset the increase in labor costs through productivity gains. If employment costs increase further, our operating costs will increase, which could, if we cannot recover these costs from our customers through increased selling prices or offset them through productivity gains or other measures, have a material adverse effect on our business, financial condition and results of operations.

A failure of our key information technology and/or inventory management, including the loss of capacity or the interruption of information technology hardware or infrastructure on which our systems rely, could have a material adverse effect on our ability to conduct our business.

We rely extensively on information technology, inventory management and maintenance systems to conduct our activities. These systems and processes include, but are not limited to, ordering and managing stock from suppliers, distributing products to various locations, processing transactions, summarizing and reporting results of operations, complying with regulatory, legal or tax requirements, and other processes necessary to manage the business. If such systems are damaged, cease to function properly or if we were to experience problems with transitioning to upgraded or replacement systems, our business may suffer. In addition, we rely on external providers for information technology hardware and infrastructure which may be interrupted. These interruptions could be caused by any number of events, ranging from catastrophic events to incidents such as power outages,

human error, cyber-attacks and other security breaches, and if we or our external providers do not effectively remedy on a timely basis, or if our employees knowledgeable about such systems are unavailable or cease to work for us, our operations could be disrupted or proprietary information or privileged communications could be accessed resulting in loss of competitive advantage or reputational or legal harm. Failures in our systems could therefore reduce our revenue, adversely affect our reputation among our customers, compromise our competitive position or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance.

We currently have in place a number of different insurance policies that cover property damage, environmental liabilities and losses due to the interruption of our business in accordance with market practice in the industry and subject to customary conditions. Our other fixed assets, such as machines used in our manufacturing process and our office equipment used for Group administration, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes business interruption coverage when such business interruption is caused by an insured property damage.

We believe that our insurance coverage is adequate to cover the risk of loss resulting from any damage to our property. However, the insurance policies are subject to limits and exclusions. Furthermore, we do not have insurance coverage for all interruptions as a result of operational risks because such risks cannot be insured or can only be insured on unreasonable terms. There can be no assurance that our insurance program would be sufficient to cover all potential losses, that we will be able to obtain sufficient levels of property insurance coverage in the future or that such coverage will be available on terms acceptable to us.

Moreover, certain types of losses, such as those resulting from earthquakes, floods, hurricanes, environmental hazards or terrorist acts, may be uninsurable or not economically insurable. In addition, there is no protection against the risk that customers will fail to pay in full or on time. We will use our discretion in determining amounts, coverage limits, deductibility provisions and the appropriateness of self-insuring with a view to maintaining appropriate insurance coverage at a reasonable cost and on suitable terms. If we suffer an uninsured or underinsured loss, we could lose all or a portion of the capital we have invested in a business or property as well as the anticipated future revenue from such business or property. Such uninsured or underinsured losses could harm our business, results of operations and financial condition.

Our operations could be adversely affected if we are unable to retain key employees and/or key members of our management.

We depend on certain key executives and personnel for our success. Our performance and our ability to implement our strategy depend on the efforts and abilities of our executive officers and key employees. In addition our operations could be adversely affected if, for any reason, a number of our officers or key employees do not remain with us. In the event that such key personnel choose not to remain with us, there is a risk that they may join a competing business. Furthermore, there may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to replace key employees with qualified personnel on acceptable terms.

We are susceptible to claims of anti-competitive practices.

Part of our overall strategy is to be a market leader in our core markets. We may be accused of the abuse of our position or the use of anti-competitive practices as a result of such leadership. This risk may increase in the event we acquire companies that have strong market leading position in the United States or Western Europe, where we enjoy strong positions. Any such claims could adversely affect our reputation, potentially result in legal proceedings that could have an impact on our business, results of operations and financial condition and require us to divest assets in markets where we have a leading position. Such claims could also impair our ability to conduct acquisitions accretive to our business. Before certain future acquisitions may be consummated, we may need to seek approvals and consents from regulatory agencies or there may be applicable waiting periods that will need to expire. We may be unable to obtain such regulatory approvals or consents, or in order to obtain them, we may be required to dispose of assets or take other actions that could have the effect of reducing our revenue. Even if regulatory authorities do not require disposals or other actions, the regulatory approval process triggered by our market position or claims of anti-competitive practices may have the effect of delaying acquisitions.

We are subject to risks related to litigation and other legal proceedings in the normal course of our business and otherwise as well as risks related to public contracts litigation.

We are subject to the risk of legal claims and proceedings and regulatory enforcement actions in the ordinary course of our business and otherwise. From time to time, we have been party as defendant or plaintiff in various claims and lawsuits incidental to the ordinary course of our business, such as those related to labor issues, trademark infringement, unpaid receivables and vicarious liability for our employees' actions, including a pending wrongful death claim brought against us following a car accident allegedly caused by one of our employees while using a vehicle owned by us within the scope of his employment. While we believe none of the legal proceedings to which we are party expose us to material liabilities, the results of pending or future legal proceedings are inherently difficult to predict. We can provide no assurance that we will not incur losses in connection with current or future legal or regulatory proceedings (including tax audits) or actions that exceed any provision we may set aside in respect of such proceedings or actions or that exceed any insurance coverage available, which may have a material adverse effect on our business, results of operations and financial condition. See "*Business—Legal Proceedings*."

We may face labor disruptions that could interfere with our operations and have a material adverse effect on our business, results of operations and financial condition.

We currently employ approximately 1,720 employees worldwide under a variety of arrangements consistent with local laws and employment practices. Applicable law regulates our relations with our employees and our ability to manage, and in certain cases, discontinue our employment relationships.

In certain instances, we consult and seek the input of our employee works councils with respect to a broad range of matters. Consultations with works councils, strikes, similar industrial actions or other disturbances by our workforce, could disrupt our operations, result in a loss of reputation, increased wages and benefits or otherwise have a material adverse effect on our business, results of operations and financial condition.

Although management believes that its relationship with employees is generally good, there can be no assurance that there will not be labor disputes and/or adverse employee relations in the future. Disruptions of business operations due to strikes or similar measures by our employees or the employees of any of our significant suppliers could have a material adverse effect on our business, results of operations and financial condition. See "*Business—Employees*."

We rely on certifications by industry standards-setting bodies and applicable law, including the Made in Italy designation.

We are required by the applicable Italian regulatory framework to obtain certain mandatory certifications and comply with professional licensing requirements. In addition, we estimate that for the year ended December 31, 2015, approximately 21.0% of our products manufactured in-house carried the *Made in Italy* designation. The use of the *Made in Italy* designation is regulated by Italian and EU law and requires that the relevant product be entirely produced in Italy or undergo their last "substantial transformation" in Italy, which has been interpreted to include assembly from semi-finished products manufactured elsewhere. We believe that the *Made in Italy* designation represents a mark of quality and a differentiator of high value-added products, therefore serving as a competitive advantage for our products carrying *the Made in Italy* designation *vis-à-vis* those products of our competitors and across our other collections. If the laws regarding the use of the *Made in Italy* designation were to become more restrictive in a way that is adverse to our interests, our business may suffer.

We have entered into joint venture agreements with third parties in certain markets and to expand our brand portfolio, and we have certain obligations to make capital contributions in respect of such joint ventures in the future.

We have made, and may continue to make, investments and enter into joint ventures. As part of our international operations, we have entered into geographic joint venture agreements with third parties in Russia, China and Nordic Europe, among others. Joint ventures are also important to the expansion of our brand portfolio. For example, on January 31, 2017 we entered into the M/L JVA, pursuant to which we will partner with LVMH to make the M/L JV the preferred partner of LVMH in the eyewear business. As of December 31, 2015, the total assets of our three fully consolidated joint ventures was €9.4 million, and the net revenues of those joint ventures represented 3.9% of our total net revenues for the year ended December 31, 2015.

The success of joint ventures or arrangements with third parties is not always predictable, and we may not realize our anticipated objectives or benefits. Such arrangements may require significant initial expenditures as well as ongoing expenditures for modernization and expansion. For example, in respect of M/L JV we expect to

contribute up to approximately €20 million to €25 million over the course of the next four to five years towards start-up costs, capex and working capital requirements pursuant to the M/L JVA, of which we expect to fund approximately €7 million in equity contributions in 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*." Moreover, contributions could be increased from time to time in connection with the economic needs of the M/L JV or any other joint venture.

The day-to-day operation of the relevant joint venture's operations is the responsibility of the management team of the joint venture. Therefore, our ability to influence these operations on a day-to-day basis is limited and we may be unable to prevent actions that we believe are not in the best interests of our joint ventures or the Company. Furthermore, we also participate in joint ventures where we are not the controlling shareholder, such as M/L JV, in which we hold a 49% interest. While we have a certain amount of influence over joint ventures in which we are not the controlling shareholder, we do not control them and are therefore dependent on our respective joint venture partners to cooperate with us in making decisions regarding the relevant joint venture. Conflicts with joint venture partners may lead to deadlock and may result in our inability to pursue our desired strategy or exit the joint venture on advantageous terms. In addition, our joint ventures have certain restrictions governing their ability to pay dividends and we cannot unilaterally determine whether and when any such dividend payments will occur. Any inability to receive dividend payments from our joint ventures or conditions on the payment of dividends or our influence over the operations of such joint ventures could materially adversely affect our business, results of operations and financial condition.

Our joint venture agreements, including the M/L JVA, include clauses which may subject the sales or transfers of our interests in joint ventures to lock-up periods, the written approval of the joint venture partner and rights of first offer. In addition, the bankruptcy, insolvency or severe financial distress of a joint venture partner could adversely affect the joint venture. Furthermore, such agreements also grant the relevant joint venture partner the ability to unilaterally unwind the joint venture, or require us to purchase its interest in the joint venture at a predetermined formula, subject to certain conditions, including in connection with a change of control. We cannot exclude that joint venture parties, including LVMH, will exercise their put option rights granted to them or otherwise unwind their relationships with us, terminate their license agreements with respect to certain of our brands and/or license the production and distribution of such brands to our competitors. Upon any such occurrence, we could lose market share or customer relationships in certain markets, including markets which we are targeting for growth, or we could be required to make payments to joint venture partners to unwind our relationships or to purchase their interest in the joint venture, any of which could have a material adverse effect on our business, results of operations and financial condition. See "*Business—Distribution*."

For more information on our material joint venture with LVMH and our rights and obligations related thereto, including funding obligations, see "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Principal Shareholders—Shareholders' Agreement—PAI/LVMH Shareholders' Agreement*."

We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation.

Pursuant to the M/L JVA and the PAI/LVMH Shareholders' Agreement, the Marcolin Capital Increase and the M/L JV Formation are subject to a number of conditions, many of which are outside of our control. These conditions include the approval of the M/L JV by European Union anti-trust authorities and certain other standard closing conditions. We cannot guarantee that these conditions will be satisfied.

During the regulatory and antitrust approval process, regulators can seek modification of the transaction to address any regulatory and antitrust concerns, including the possible divestiture or relocation of certain of our assets. We cannot assure you that the antitrust regulators will approve the M/L JV on a timely basis or at all and we will not incur significant costs if the regulatory or antitrust regulators require us to modify the structure of planned activities of M/L JV, which could reduce the anticipated and potential benefits to us of LVMH such that we or LVMH decide not to proceed with the Marcolin Capital Increase or the M/L JV Formation. See "*Summary—Recent Developments—Joint Venture with LVMH*." Failure by either us or LVMH to satisfy any conditions precedent, or costs associated with complying with the requirements of regulators could prevent the Marcolin Capital Increase or the M/L JV Formation from occurring and/or have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Capital Structure

The Issuer is in part dependent on payments from its subsidiaries in order to make payments on the Notes.

The Issuer conducts a portion of its operations through operating subsidiaries. As a result, the Issuer will be dependent in part upon the cash flow from its subsidiaries in the form of dividends, intercompany loans or otherwise to make payments on the Notes. The Issuer's operating subsidiaries may not generate cash flow sufficient to enable it to meet its payment obligations. In addition, the Issuer's subsidiaries may be restricted from providing funds to the Issuer under some circumstances. These circumstances could include, among others, existing and future contractual restrictions, including restrictions in any indebtedness at the subsidiary level, that affect the ability of the Issuer's subsidiaries to pay dividends or make other payments to the Issuer. In addition, applicable tax laws may also subject such payments to taxation.

The interests of our shareholders may be inconsistent with the interests of the holders of Notes.

Following the Marcolin Capital Increase, PAI, and certain other co-investors, including the Marcolin family will indirectly own 90% of the Issuer's shares. As a result, PAI and its affiliates have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operation. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders which have the power to effect compliance with such covenants. The interests of PAI and its affiliates could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. Affiliates of PAI also have an interest in pursuing divestitures, financings or other transactions that in their judgment could enhance their equity investments, although such transactions might involve risks to you as a holder of Notes. In addition, PAI or its affiliates may, in the future, own businesses that directly compete with ours or do business with us. See "*Principal Shareholders*." Furthermore, certain of our co-investors have rights that may affect the timing and method of exit by PAI and thus the timing of any changes to the capital structure. LVMH also has call option rights on the shares of the M/L JV, which may affect the valuation of Marcolin and thus the timing and method of any exit by PAI and/or an initial public offering.

We have recorded a significant amount of goodwill and we may not realize the full value thereof.

We have recorded a significant amount of goodwill. As of September 30, 2016, our total goodwill, which represents the excess of the cost of acquisitions over our interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed, amounted to €285.3 million, representing 44.1% of our total assets. In particular, the goodwill recorded in our financial statements reflects the goodwill recorded in relation to the Viva Acquisition.

Goodwill is recorded on the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of impairment. Impairment may result from, among other things, deterioration in our performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. The amount of any impairment must be expensed immediately as a charge to our income statement. We have not been required to record an impairment to goodwill for any of the periods reported herein. Any future impairment of goodwill may result in material reductions of our income and equity under IFRS.

We may be subject to a deferral or to a limitation of the deduction of interest expense, including interest expense in respect of the Notes in Italy.

Current tax legislation in Italy (Article 96 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and restated) allows, for IRES purposes, for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of an amount approximately equal to the EBITDA (i.e., *risultato operativo lordo della gestione caratteristica*) ("**ROL**") of an Italian tax resident company as recorded in such company's profit and loss account. The amount of ROL not used for the deduction of the amount of interest expense that exceeds interest income can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years and deducted, provided that and to the extent that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. In the case of a tax group, interest expense not deducted by an entity within the tax group due to lack of ROL can be deducted at the tax unity level, within the limit of the excess of ROL of the other companies within the tax group. This 30% threshold applies to the Italian subsidiaries of the Issuer.

According to Article 4 of Italian Legislative Decree No. 147 of September 14, 2015, published on the Official Gazette No. 220 of September 22, 2015 ("**Internalization Decree**"), starting from January 1, 2016, ROL of non-resident controlled companies will no longer be taken into consideration for such purposes. Under certain conditions, dividend received by Italian companies from non-resident controlled companies shall impact on ROL. Article 96 does not apply to certain entities active in the banking, insurance and financial sector (a 96 percent deduction of accrued interest expenses is allowed). This latter limitation will be repealed as from tax period 2017 for entities active in the banking and financial sector.

The Italian tax authorities have in certain instances totally or partially limited the deductibility of the interest expenses arising in connection with certain acquisition financing, refinancing of previous acquisitions' indebtedness, dividend recapitalizations or other transactions with shareholders (such as transfer of shares intragroup). This position has been taken by arguing that the actual beneficiary of the transaction which generated the interest expense was not the acquiring entity, but its shareholders. Moreover, in circumstances where the Italian company deducting the interest expenses accrued on the aforementioned transactions was controlled by a non-Italian-resident entity (as in the case of the Issuer), the Italian tax authorities argued that such interest expense should have been re-charged at arm's length to the non-Italian-resident shareholders. To date, tax courts have not ruled in a consistent way with respect to these cases, although there is jurisprudence in favor of the taxpayer's position. The Italian tax authorities have recently ruled that the deduction of interest expenses arising from indebtedness, incurred with third parties in the context of the acquisition transactions, should not be denied when such acquisitions are genuinely held.

In addition, there can be no assurance that in the case of a tax audit, the relevant tax authorities would not try to challenge the deductibility of interest expenses arising in connection with the component of any financing used, in whole or in part, to refinance an outstanding loan or debt, when the terms and conditions of the refinancing transaction appear less favorable than the ones of the previous financing transaction. In particular, in such circumstances, the relevant tax authorities could argue that the interest expenses arising from such financing does not relate to the business of the borrowing entity (as the relevant transaction is deemed as "anti-economic" and as such not compliant with the "inherence" principle set out under Italian tax law). Valid defenses against such challenge to the extent the taxpayer is able to demonstrate that the incorporation of the company and the transaction as a whole is based on rational and economic reasons with a view to generate utility (in terms of overall economic benefit) for the company, even if only in the future.

Moreover, (i) any future changes in Italian tax laws or in their interpretation or application (including any future limitation on the use of the ROL of the Issuer and its Subsidiaries), or (ii) the tax treatment of interest expense arising from any indebtedness, including the Notes, the failure to satisfy the applicable legal requirements relating to the deductibility of interest expense or (iii) a change in the interpretation and application by Italian tax authorities of Italian tax law may result in our inability to fully deduct our interest expense, which may have an adverse effect on our financial condition.

Furthermore, if the Italian tax authorities were to successfully challenge the use of proceeds from the Offering to make a refinancing under the "inherence" principle, we may be unable to fully deduct our interest expenses or be subject to significant penalties or other consequences that could have a material adverse effect on our financial condition and results of operations or on our ability to service or otherwise make payments on the Notes and our other indebtedness. For more information, see "*Risk Factors—Risks Related to Our Business—Changes in our tax rates or exposure to additional tax liabilities could affect our future results*."

Risks Related to Our Indebtedness

Our leverage may make it difficult for us to service our debt, including the Notes, and operate our business.

Upon consummation of the Refinancing, we will have a substantial amount of outstanding indebtedness with significant debt service requirements. As of September 30, 2016, after giving effect to the Refinancing, our total financial debt would have been €275.9 million. See "*Capitalization*." As of the same date, giving effect to the Refinancing, we also would have had approximately €30.0 million available for borrowing under the New Revolving Credit Facility. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

Our leverage could have important consequences for a holder of the Notes, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;

- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- restricting us from investing in customer acquisitions, growing our business, pursuing strategic acquisitions and exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Our ability to service our indebtedness will depend on our future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond our control. If we cannot service our indebtedness and meet our other obligations and commitments, we might be required to refinance our debt or to dispose of assets to obtain funds for such purpose. We cannot assure you that refinancings or asset dispositions could be effected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of our debt instruments.

We are subject to restrictive covenants under the New Revolving Credit Facility Agreement and the Indenture, which could impair our ability to run our business.

Restrictive covenants under the New Revolving Credit Facility Agreement and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our financial condition and results of operations.

The New Revolving Credit Facility Agreement and the Indenture contain negative covenants restricting, among other things, our ability to:

- make certain loans or investments;
- incur indebtedness or issue guarantees;
- create security;
- sell, lease, transfer or dispose of assets;
- merge or consolidate with other companies;
- transfer all or substantially all of our assets;
- make a substantial change to the general nature of our business;
- pay dividends and make other restricted payments;
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock; and
- enter into transactions with affiliates.

The New Revolving Credit Facility will require the Company to comply with a "*financial covenant*", which will be based on the ratio of the total net indebtedness to consolidated EBITDA, and whereby non-compliance will result in an event of default. See "*Description of Certain Financing Arrangements—New Revolving Credit Facility—Financial Covenant.*"

The restrictions contained in the New Revolving Credit Facility Agreement and the Indenture could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make key money payments to acquire new licenses, form joint ventures, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the New Revolving Credit Facility Agreement or the Indenture.

If there were an event of default under any of our debt instruments that is not cured or waived, the holders of the defaulted debt could terminate their commitments thereunder and cause all amounts outstanding with respect to such indebtedness to be due and payable immediately, which in turn could result in cross defaults under our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We may not be able to generate sufficient cash to meet our debt service obligations, or our obligations under other financing agreements, in which case our creditors could declare all amounts owed to them due and payable, leading to liquidity constraints.

Our ability to make interest payments on the Notes and to meet our other debt service obligations, including under the New Revolving Credit Facility Agreement and the Indenture, or to refinance our debt, depends on our future operating and financial performance, which in turn depends on our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors that are beyond our control. If we cannot generate sufficient cash to meet our debt service requirements, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. If we are also unable to satisfy our obligations on other financing arrangements, we could be in default under the New Revolving Credit Facility Agreement, the Indenture and other relevant financing agreements which we may enter into in the future. In the event of a default under the New Revolving Credit Facility Agreement or certain other defaults under any other agreement, the lenders under the respective facilities or financing instruments could take certain actions, including terminating their commitments and declaring all amounts that we have borrowed under our credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest. Such a default, or a failure to make interest payments on the Notes, could mean that borrowings under other debt instruments that contain cross-acceleration or cross-default provisions, including the Notes and the New Revolving Credit Facility, may as a result also be accelerated and become due and payable. If the debt under the New Revolving Credit Facility or the Notes or any other material financing arrangement that we have entered into or will subsequently enter into were to be accelerated, our assets may be insufficient to repay the Notes in full. Any such actions could force us into bankruptcy or liquidation, and we might not be able to repay our obligations under the Notes in such an event. See “*Description of Certain Financing Arrangements*” and “*Description of the Notes*.”

Despite our high level of indebtedness, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the New Revolving Credit Facility contains and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries’ existing debt levels, the related risks that we now face would increase. In addition, neither of the New Revolving Credit Facility nor the Indenture will prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Risks Related to the Notes, the Guarantees and the Collateral

The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes.

No appraisal of the value of the Collateral has been prepared by us or on our behalf in connection with the Offering. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions and the availability of suitable buyers at the time of any such sale. By its nature, the Collateral may be illiquid and have no ascertainable market value. Similarly, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral. The book value of the Collateral should not be relied on as a measure of the realizable value for such assets. The fair market value of the Collateral as at the date of this offering memorandum may not exceed the principal amount of the debt secured thereby. The value of the Collateral, and in particular, the pledged

capital stock, could be impaired in the future as a result of changing economic conditions, failure to implement our business strategy, competition and other future trends and may be without any value if that entity is subject to an insolvency or bankruptcy proceeding.

If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then Noteholders (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets.

Creditors under the New Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes.

Under the terms of the Intercreditor Agreement, proceeds from enforcement of the Collateral securing the Notes must first be applied in satisfaction in full of obligations under the New Revolving Credit Facility and only thereafter to repay the obligations of the Issuer and the Guarantors under the Notes. The New Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the Issuer over its present and future movable assets and such assets will not secure the Notes since under Italian law a special lien may only be granted to secure bank loans. The special lien will be limited in amount to the obligations under the New Revolving Credit Facility from time to time. As any proceeds realized from the enforcement of the special lien (*privilegio speciale*) may be insufficient to repay amounts under the New Revolving Credit Facility, in the event of a foreclosure of the Collateral, you may not be able to recover on such Collateral if the then outstanding claims under the New Revolving Credit Facility and such amount in respect of such future hedging obligations and certain costs and expenses of the Trustee and other creditors representatives are also paid out in priority to our obligations under the Notes and any other "super-priority debt" are greater than the proceeds realized. The Indenture and the Intercreditor Agreement will permit, under certain conditions, additional "super priority debt" to be incurred. As such, in the event of enforcement of the Collateral securing the Notes, you may not be able to recover on the Collateral if the then-outstanding liabilities under such "super priority" debt, including the New Revolving Credit Facility and certain hedging obligations, if any, are greater than the proceeds realized in the event of enforcement of the Collateral securing the Notes. See "*Description of Certain Financing Arrangement—Intercreditor Agreement*" and "*Description of the Notes*."

You may not have a security interest in any of the Collateral on the Issue Date.

Given the structure of the financing in connection with the Acquisition, you may not have a security interest in any of the Collateral in place on the Issue Date. The Indenture will require that, within ten business days from the Issue Date, the Notes be secured on a first-ranking basis by the Collateral. See "*Description of Notes—Security*." See also "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations.*" There can, however, be no assurance that we will be successful in procuring such liens within the time period specified, the failure of which would result in an "event of default" under the Indenture.

The claims of the holders of the Notes will be effectively subordinated to the rights of our future secured creditors to the extent of the value of the assets securing such indebtedness which does not constitute Collateral.

Within ten business days following the Issue Date, the Notes will be secured by first-priority security interests over the Collateral. The Indenture will also provide for a negative pledge but will allow us and our restricted subsidiaries, subject to specified limitations, to incur secured indebtedness that will be effectively senior to the Notes to the extent of the value of the assets that secure that indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, the proceeds from the sale of assets securing any secured indebtedness will be available to pay obligations on the Notes only after all such secured indebtedness (including claims preferred by operation of law) has been paid in full. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness. As of September 30, 2015, after giving *pro forma* effect to the Refinancing, we would have had €2.0 million of financial debt outstanding which was secured over assets other than the Collateral, represented by the Capital Leases and certain recourse (*pro solvendo*) factoring arrangements. See "*Description of Certain Financing Arrangements*."

The Notes will be structurally subordinated to the liabilities of the Issuer's subsidiaries that do not guarantee the Notes.

As at and for the twelve months ended September 30, 2016, the consolidated total assets prior to capital consolidation, consolidated net revenues and consolidated Adjusted EBITDA of the non-Guarantor Restricted Subsidiaries represented 12.0%, 7.7% and 5.5% of the Group's net revenues, Adjusted EBITDA and total assets prior to capital consolidation of the Group, respectively, and, after giving *pro forma* effect to the Refinancing, the non-Guarantor Subsidiaries of the Issuer would have had €0.8 million of indebtedness, none of which was secured.

The agreements governing the Notes and the New Revolving Credit Facility will, subject to specified limitations, permit our non-Guarantor subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that they may incur. In addition, under certain circumstances, the guarantees of a Guarantor may be released automatically (see "*Description of the Notes—Guarantees—Releases of Guarantees*"), including, without limitation:

- upon a sale or other disposition (including by way of consolidation or merger) of the capital stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or of our restricted subsidiaries) otherwise permitted by the Indenture; and
- upon the designation by the Issuer of a restricted subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the Indenture;
- in accordance with the "*Amendments and Waivers*" provisions of the Indenture;
- in connection with an enforcement action under the Intercreditor Agreement; or
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture.

Our non-Guarantor subsidiaries do not guarantee the Notes and will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, such non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such non-Guarantor subsidiaries before these assets are made available for distribution to the Issuer, as a direct or indirect shareholder and the creditors of the Issuer (including the holders of the Notes) will have no right to proceed against the assets of such non-Guarantor subsidiary. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) and any holders of preferred stock of our non-Guarantor subsidiaries.

In addition, as a general principle under German law, a secured party is obligated to release security if the value of the security is materially higher than the value of the obligations secured by such security. Pursuant to such German law principle, the security grantor may request the Security Agent to release all or part of the security granted insofar as (i) the estimated aggregate value (*Schätzwert*) of the security exceeds, on a permanent basis, the secured obligations by more than 50% plus value added tax or (ii) if ascertainable, the realizable aggregate value (*realisierbarer Wert*) of such security exceeds, on a permanent basis, the secured obligations by more than 10% plus value added tax.

It may be difficult to realize the value of the Collateral, and an enforcement action may result in the termination of licenses which may be material to the operation of our business.

The Collateral will be subject to exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under the laws of certain jurisdictions.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, our business depends on a variety of licenses. The continued operation of the Issuer and the Guarantors, whose shares are pledged as part of the Collateral, depend on the maintenance of such licenses. Under some of our licenses, licensors impose restrictions on the transfers of the ownership of the license holder, including a change of control clause, which prohibits the transfer of the ownership of the license holder without the prior approval of the licensors. In the event of an enforcement action under the terms of the Notes which resulted in the transfer of ownership of the Issuer or its subsidiaries, or a change in the shareholding of the Group for other reasons, the licensors may attempt to cancel our licenses. In addition, the uncertainty concerning the transferability of such licenses themselves could significantly reduce the value placed on the licenses by third parties and ultimately reduce the amount recovered in the event of an enforcement action. The applicable licensors may not consent to the transfer of any of such licenses. If such approvals required for the transfer of the relevant licenses are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

The value of certain assets included in the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of certain assets included in the Collateral owned by the Issuer and certain Guarantors may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to such assets. Although the Security Documents will contain certain covenants in relation to the maintenance and preservation of assets, the Issuer and Guarantors are not required to improve the Collateral. The Issuer and Guarantors will be obligated under the Security Documents to maintain insurance policies to insure against losses, however, there are certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses in the event of a catastrophic loss. We cannot assure you that any insurance proceeds received by us upon the total or partial loss of any Collateral will be sufficient to satisfy all of our secured obligations, including the Notes.

The limited share pledge and the recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate.

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. As the Notes will be issued by the Issuer, an enforcement over the shares of the Issuer would involve the enforcement over the share pledge of an entity with outstanding debt claims. In addition, the Indenture does not prohibit the Issuer from incurring additional debt claims in the future. Consequently, the enforcement of the share pledge over the Issuer's shares may result in the release of the debt obligations of the Issuer. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of the Issuer is limited. Moreover, the pledge over the issued capital stock of the Issuer will cover only the shares owned by Marmolada S.p.A., which will constitute: (i) 100% of the share capital of the Issuer on the Issue Date and (ii) no less than (x) 90% of the share capital of the Issuer following the Marcolin Capital Increase or (y) in the event of the subsequent exercise by LVMH of its rights to acquire additional shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement, no less than 82.5%. As a result, an enforcement over the shares of the Issuer will not provide full control over the Issuer and remain subject to any minority protection rights in the organizational documents of the Issuer and under law, and the minority holder or holders of the Issuer's shares may have interests or rights which conflict with those of the holders of the Notes.

The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

The obligations of the Guarantors and the enforcement of each of their Guarantees and the obligations of the grantors of security and enforcement of the Collateral will be limited to the maximum amount that can be guaranteed by such entities under applicable law, including a limitation to the extent that the grant of such pledge of security or guarantee is not in the entity's corporate interests, or otherwise would result in violations of laws related to corporate benefit, capitalization, capital preservation, financial assistance or transactions under value.

Accordingly, enforcement of a Guarantee or enforcement in respect of the Collateral against the relevant pledgor would be subject to certain defenses available to guarantors generally or, in some cases, to limitations contained

in the terms of the pledge of security designed to ensure compliance with statutory requirements applicable to the relevant pledgors or, in some cases, to limitations contained in the terms of the Guarantees designed to ensure compliance with statutory requirements applicable to the relevant Guarantors. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, a Guarantor's liability under its Guarantee or the liability of a pledgor of security of could be materially reduced or eliminated, depending on the law applicable to it.

It is possible that a Guarantor or a pledgor of security, or a creditor thereof, or the bankruptcy trustee in the case of a bankruptcy of such entity, may contest the validity and enforceability of a Guarantee or pledgor's pledge of security on any of the aforementioned grounds and that the applicable court may determine that a Guarantee or a pledge should be limited or voided. To the extent such limitations on guarantees or the security obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or pledgor, including trade payables of such entity to the extent of such limitations. Future guarantees or pledges may be subject to similar limitations.

Additionally, the grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and insolvency proceedings in respect of the grantor are commenced within a legally specified "clawback" period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Germany. In the case of Marcolin Germany which is organized in the form of a German company with limited liability (GmbH), the enforcement of its Guarantee and security documents is limited under German corporate law if and to the extent that payments under such Guarantee and security documents would cause Marcolin Germany's net assets to fall below, or increase or would increase an existing shortfall of, the amount of its registered share capital (*Begründung oder Vertiefung einer Unterbilanz*). Accordingly, the terms of its Guarantee and security documents limit the enforcement of that Guarantee or security document if and to the extent payment under such Guarantee or security document would cause its net assets to fall below, or increase or would increase an existing shortfall of, the amount of its registered share capital (*Stammkapital*).

Italy. Under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect to the claims of other creditors, even if such claims are secured claim.

France. French law requires that, when a French company grants a guarantee of third-party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor company. The existence of a real and adequate benefit to the guarantor is a matter of fact as to which French case law provides no clear guidance. The liabilities of a French company under a guarantee must also not be in breach of French financial assistance rules. The liabilities and obligations of Marcolin France under the Guarantee are therefore subject to (i) certain exceptions, including the exclusion of any obligations which, if incurred, would constitute the provision of financial assistance within the meaning of Article L.225-216 of the French *Code de Commerce*, which prohibits a company from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition and/or a misuse of corporate assets or of credit within the meaning of Articles L.241-3, L. 242-6 or L. 244-1 of the French *Code de Commerce*; and (ii) a financial limitation corresponding to an amount equal to the proceeds from the issue of the Notes which the Issuer has applied for the direct or indirect benefit of the French Guarantor and/or to the controlled subsidiaries of that French Guarantor (within the meaning of article L.233-3 of the French *Code de Commerce*) through intercompany loans and cash pooling arrangements (if any) that are outstanding and owed by such French Guarantor (or any of its controlled subsidiaries) on the date a payment is requested to be made by the French Guarantor. By virtue of this limitation, Marcolin France's obligations under the Guarantee could be significantly less than amounts payable with respect to the Notes. To the extent that no proceeds of the Notes are downstreamed to Marcolin France or its subsidiaries at the relevant time, Marcolin France will have effectively no obligation under its Guarantee. Additionally, to the extent that the relevant intercompany loans are subsequently repaid or cancelled, including pursuant to the Intercreditor Agreement upon an enforcement, such French guarantee will be reduced or fall away.

For a more detailed description of various limitations on the security under Italian, French, English and German law and certain Italian, French, English and German insolvency law considerations, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Holders of the Notes may not control certain decisions regarding the Collateral.

To the extent permitted under applicable law, and subject to the Agreed Security Principles, the Notes will be secured on a first-ranking basis by substantially the same rights, property and assets securing the obligations under the New Revolving Credit Facility (other than the special lien (*privilegio speciale*)). In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

Pursuant to the Intercreditor Agreement, a common security agent will serve as the Security Agent for the secured parties under the New Revolving Credit Facility, the Notes and the hedging arrangements (if any), respectively, with regard to the shared Collateral (as applicable). The Intercreditor Agreement will provide that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of an "instructing group."

Generally, if there are conflicting enforcement instructions received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute either "majority super senior creditors" (generally, creditors representing $66^{2}/_{3}\%$ of the aggregate of all unpaid and undrawn commitments under the New Revolving Credit Facility (or any replacement thereof) and the termination value or assumed termination value of certain future "super priority" hedging obligations, if any) or "majority senior secured creditors" (generally, creditors representing the majority of the outstanding principal amount under the Notes, any *pari passu* secured indebtedness and the termination value or assumed termination value of certain future hedging obligations which are not given "super priority" status, if any), as the case may be, the representatives of the creditors sharing in the Collateral are required to first consult in good faith with each other (in each case, including the Trustee on behalf of the holders of the Notes and the agent on behalf of the lenders under the New Revolving Credit Facility (or any replacement thereof) and the Security Agent, for a period of 15 days (or such shorter period as may be agreed) with a view to coordinating the instructions to be given by an instructing group and agreeing an enforcement strategy (a "**joint enforcement strategy**"). Upon conclusion of this "consultation period", if the relevant creditor representatives are unable to agree on a joint enforcement strategy or if conflicting enforcement instructions are received by the Security Agent from the different classes of creditors which are secured by the Collateral and who can constitute an instructing group, and provided that the "security enforcement principles" set out in the Intercreditor Agreement have been complied with, then the majority senior secured creditors shall constitute an instructing group and shall have the right to instruct the Security Agent as to the enforcement of the Collateral. Notwithstanding the foregoing, no consultation period shall be required if either (i) any of the Collateral becomes enforceable because of an insolvency event in respect of Marmolada, the Issuer or certain members of the Group, (ii) the majority super senior creditors or the majority senior secured creditors determine in good faith that entering into consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Collateral or to reduce the amount likely to be realized upon enforcement of the Collateral to a level such that the obligations to the super senior creditors would not be discharged in full, or (iii) the relevant creditor representatives agree that no consultation period is required, in which case, the Security Agent shall act in accordance with the instructions provided by the majority senior secured creditors (provided that such instructions are consistent with the security enforcement principles set forth in the Intercreditor Agreement). If the Security Agent is obliged to follow the enforcement instructions of the majority senior secured creditors as discussed above and either (i) the lenders under the New Revolving Credit Facility (or any replacement thereof) (together with any "super priority" hedging obligations) have not been repaid or prepaid in full within six months of the end of the consultation period, (ii) the Security Agent has not commenced any enforcement action in respect of the relevant Collateral within three months of the end of the consultation period or (iii) an insolvency event has occurred in respect of Marmolada, the Issuer or certain members of the Group and the Security Agent has not commenced enforcement of the relevant Collateral or taken any other enforcement action at that time, then the Security Agent shall, provided that the security enforcement principles set out in the Intercreditor Agreement have been complied with, instead follow the instructions that are given by the majority super senior creditors (and the terms of the relevant previous enforcement instructions of the majority senior secured creditors which conflict with the instructions of the majority super senior creditors shall be deemed revoked).

The foregoing security enforcement arrangements could be disadvantageous to the holders of the Notes in a number of respects.

Disputes may occur between the holders of the Notes and creditors under our New Revolving Credit Facility, counterparties to certain hedging arrangements, if any, and/or holders of any permitted *pari passu* secured

indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Collateral securing such obligations. In such an event, the holders of the Notes will be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the relevant Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of Notes. The creditors under the New Revolving Credit Facility, counterparties to certain hedging arrangements, if any, or the holders of any permitted *pari passu* secured indebtedness may have interests that are different from the interest of holders of the Notes and they may elect to pursue their remedies under the relevant Security Documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

Other creditors not party to the Intercreditor Agreement could commence enforcement action against the Issuer or one or more of its subsidiaries during the consultation period, the Issuer or one or more of its subsidiaries could seek protection under applicable bankruptcy laws, or the value of certain Collateral could otherwise be impaired or reduced in value. In addition, if we incur substantial additional indebtedness which may be secured on the Collateral, the holders of the Notes may not comprise the requisite majority senior secured creditors for the purposes of instructing the Security Agent. Further, if the super senior creditors have not been repaid in full within six months of the end of the consultation period or in the event of the occurrence of certain other circumstances described above, then control of the enforcement proceedings will shift to the majority super senior creditors.

The holders of the Notes will also have no separate right to enforce the Collateral securing the Notes. In addition, the holders of the Notes will not be able to instruct the Security Agent, force a sale of Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant Security Documents, unless they comprise an instructing group which is entitled to give such instructions, which, in turn, will depend on certain conditions and circumstances including those described above.

In addition, if the Security Agent sells any of the Collateral as a result of an enforcement action in accordance with the Intercreditor Agreement, claims under the Notes and the Guarantees and over any other assets securing the Notes may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens*."

It is possible that some of the Collateral may not be enforceable.

In certain jurisdictions, the creation of security interests to secure the obligations of a third party may be limited under applicable law. As a result, enforcement of the security in certain jurisdictions may be subject to certain statutory limitations or defenses or to limitations contained in the terms of the security documents designed to ensure compliance with applicable statutory requirements. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for a more detailed description of the various limitations on the security in each relevant jurisdiction. Additionally, under German law, the creation of certain security interests requires that the grantee of the security interest is the same party as the creditor of the secured claim. To accommodate this requirement, the Intercreditor Agreement provides for the creation of a so-called "parallel debt." Pursuant to the parallel obligation, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Indenture governing the Notes.

Italy. Parallel debt structure in financing transactions, including credit facilities and bond issuances, has not been tested in Italian courts. In addition, the validity and enforceability of certain rights of a Security Agent benefiting from a parallel debt structure is untested in Italian courts.

Germany. The parallel debt procedure has not been tested under German law, and we cannot assure you that it will eliminate or mitigate the risk of unenforceability of the security posed by German law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security.

France. We cannot assure you that the parallel debt procedure will eliminate or mitigate the risk of unenforceability of the security posed by French law. In case the validity or enforceability of the relevant security in favor of the Notes is challenged successfully, you may not be able to recover any amounts under the relevant security. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Enforcement of the Notes, the Guarantees and the Collateral securing the Notes across multiple jurisdictions may be difficult.

The Issuer is organized under the laws of Italy; the Guarantors are incorporated or organized (as applicable) under the laws of New York, France, England and New Jersey and the assets and movable property securing the Notes are located in multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions and in the jurisdiction of incorporation or organization of a future Guarantee. Your rights under the Notes, the Guarantees, and the Collateral will thus be subject to the laws of a number of jurisdictions, and it may be difficult to effectively enforce such rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multijurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights.

The bankruptcy, insolvency, administration and other laws of the Issuer's jurisdiction of organization and the jurisdiction of organization or incorporation of each of the Guarantors may be materially different from, or conflict with, each other and with the laws of the United States, including in the areas of creditors' rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce the Collateral securing the Notes and to realize any recovery under the Notes and the Note Guarantees. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral securing the Notes give the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on such Collateral.

The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The Indenture and the Intercreditor Agreement will provide that to the extent permitted by the applicable laws, only the Security Agent has the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See "*Description of the Notes—Security*."

Italy. The Collateral will not be granted directly to the holders of the Notes but will be created and perfected in favor of the Trustee, acting also in its capacity as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf of the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

Further, under Italian law, in the event that the Issuer enters into insolvency proceedings, the security interests created under the security documents entered into to secure the Issuer's obligations under the Notes could be subject to potential challenges by an insolvency administrator or by other creditors of the Issuer under the rules of avoidance or claw back of Italian insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor made during a certain legally specified period (the "suspect period"). In this regard, a longer period might apply to any Collateral governed by Italian law which may be granted after the Offering.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor's property in respect of the claims of other creditors.

France. Security interests governed by French law may only secure payment obligations, may only be enforced following a payment default or an acceleration resulting in a payment default and may only secure up to the secured amount that is due and remaining unpaid. Under French law, a pledge over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judicaire*) or to the extent provided for in the relevant security document contractual foreclosure (*attribution conventionnelle* (*pacte commissoire*)) of the pledged securities in favor of the secured creditors, following which the secured creditors become the legal owner of the pledged securities.

If the secured creditors choose to enforce by way of foreclosure as described above, the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial foreclosure (*attribution judicaire*) or by a pre-contractually agreed expert in the context of a contractual foreclosure (*attribution conventionnelle* (*pacte commissoire*)). In proceedings regarding an *attribution judicaire* or an *attribution conventionnelle* (*pacte commissoire*), an expert is appointed to value the collateral (in this case, the pledged securities) (such valuation being made by reference to the date of enforcement) and, if the value of the collateral exceeds the amount of secured debt, the secured creditors may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the collateral. If the value of the collateral is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such collateral, and the remaining amount owed to such creditors will be unsecured in that respect.

As a result, if the Security Agent enforces the collateral pursuant to option (i) as described above, the proceeds of the sale of the collateral may not be sufficient to satisfy the claims of all secured creditors. If enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities, since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies. If the Security Agent enforces the collateral pursuant to option (ii), there is a risk that the secured creditors may not be able to sell the collateral for its full value as determined by the expert, yet may still be required to pay the pledgor, upon the Security Agent having become the owner of the collateral, the difference between the value of the collateral and the amount of the secured debt if the collateral is determined by the expert to have a greater value than the amount of secured debt.

The concept of “trust” has been recognized by the French Tax Code and the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 Belvedere) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings opened in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of “trust” has not been generally recognized under French law.

Germany. The enforcement of the share pledge will be limited by prerequisites of the formalized statutory enforcement proceedings of mandatory German law which, in principle, provide for a sale of the pledge shares in a public auction rather than in a private sale. In addition, there is uncertainty under German law as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured by accessory security such as pledges over shares. Therefore, there are risks regarding the enforceability of the pledge over shares of Marcolin Germany. The Intercreditor Agreement contains a provision pursuant to which the Issuer and the Guarantors will be obliged to pay to the Security Agent as joint and several creditor any amount owed by them under Marcolin Germany’s Guarantee. Further, the Indenture contains an abstract acknowledgment of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Agent in relation to which the Issuer and the Guarantors will be obliged to pay the Security Agent as several creditor any amount owed by them under Marcolin Germany’s Guarantee. Each of the joint and several obligations pursuant to the Intercreditor Agreement and the several obligations pursuant to the Indenture creates a so-called parallel debt which is secured by the Collateral. However, German courts have not yet ruled in respect of such a parallel debt structure. As a result, we cannot assure holders of the Notes that such structure will eliminate or mitigate the risk of unenforceability of the pledge over Marcolin Germany’s shares posed by German law. If any challenge to the validity of the pledge or the parallel debt structure were successful, holders of the Notes may not be able to recover any amounts under Marcolin Germany’s share pledge.

See also "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees and the Collateral will be released automatically and unconditionally including, without limitation:

- in connection with any sale or other disposition of Collateral, directly or indirectly, to a person that is not (either before or after giving effect to such transaction) the Issuer or any restricted subsidiary (but excluding any transaction subject to the covenant described under "*Description of the Notes—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the provisions of the Indenture;
- in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and capital stock, of such Guarantor;
- if the Issuer designates any restricted subsidiary to be an unrestricted subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets of such restricted subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the captions "*Description of the Notes—Defeasance*" and "*Description of the Notes—Satisfaction and Discharge*";
- (i) in connection with an initial public offering of the Issuer, the release, at the option of the Issuer, of all or part of the pledge over the capital stock of the Issuer within a reasonable time prior thereto to facilitate such Initial Public Offering and (ii) following an Initial Public Offering of the Issuer, the release of any security interests over all or part of the pledge over the capital stock of the Issuer that is subject to security interests in connection with issuances and/or sales of such capital stock within a reasonable time prior thereto to facilitate such issuance or sale; provided that, in each case, such security interests so released will, as soon as reasonably practicable, be granted in favor of the Notes in the event that the initial public offering or other sale or issuance, as the case may be, does not complete for any reason;
- in the case of the security assignment over the receivables in respect of the Intercompany Loans, upon partial repayment thereof, the security interests created over the receivables will be automatically reduced in proportion to such partial repayment and, upon full repayment thereof, the security assignment shall be automatically and fully released; or
- as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement.

In addition, Liens on property or assets constituting Collateral may also be released to the extent necessary to enable the Issuer or one of our restricted subsidiaries to consummate the sale, transfer or other disposition of such property or assets, including (but not limited to) in connection with certain factoring transactions; provided that such sale, transfer or other disposition does not violate the covenant described in "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

The Indenture will also provide that the Collateral securing the Notes may be released and retaken in several circumstances, including in connection with the refinancing of certain indebtedness, including the Notes. In Italy, such a release and retaking of Collateral may give rise to the start of a new "hardening period" in respect of such Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity and enforceability of the grant of such Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of such Collateral and thus reduce your recovery under the Notes. See "*Description of the Notes—Security—Release of Liens*."

Your rights in the Collateral securing the Notes may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected and thus retain its priority if certain actions are undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if we or the Security Agent fail or are unable to take the actions required to perfect the security interest (and, for the avoidance of doubt, the Security Agent shall have no obligation to take any steps or action to perfect the security interests in the Collateral). Such failure may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral.

The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with the law applicable in certain jurisdictions.

The granting of new security interests in connection with the issuance of the Notes and the New Revolving Credit Facility may create hardening periods for such security interests in certain jurisdictions. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it.

In addition, the granting of a shared security interest to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods in certain jurisdictions. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected. If the security interest granted were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See also "*Limitations on Validity and Enforceability of the* Guarantees *and Security Interests and Certain Insolvency Law Considerations*."

Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events.

At final maturity of the Notes, or in the event of acceleration of the Notes following an event of default, the entire outstanding principal amount of the Notes will become due and payable. In addition, upon the occurrence of certain events constituting a change of control, holders of the Notes may in certain circumstances require the Issuer to make an offer to purchase the Notes at a purchase price equal to 101% of the principal amount, plus accrued but unpaid interest and Additional Amounts, if any, to the purchase date. See "*Description of the Notes—Change of Control*." The Issuer may not have sufficient funds or may be unable to arrange for additional financing to pay these amounts when they become due.

The Issuer's failure to repay holders tendering Notes upon the occurrence of a change of control event would result in an event of default under the Notes. If a change of control event were to occur, we cannot assure you that we would have sufficient funds to repay our outstanding indebtedness which we would be required to prepay or offer to purchase or that became immediately due and payable as a result. We may require additional financing from third parties to fund any such purchases and we cannot assure you that we would be able to obtain financing on satisfactory terms or at all. Restrictions in the New Revolving Credit Facility Agreement or our other then-existing contractual obligations, may also restrict us from making such required repurchases. See "*Description of Certain Financing Arrangements—New Revolving Credit* Facility*—Mandatory Prepayment Requirements upon a Change of Control*." A change of control is a mandatory prepayment event under our New Revolving Credit Facility Agreement and a change of control may result in an event of default under, or acceleration of, our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all the assets of the Issuer and its restricted subsidiaries taken as whole. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

We may be unable to raise the funds necessary to refinance indebtedness maturing prior to the stated maturity of the Notes or to repay the Notes at maturity.

The Notes offered hereby will mature in 2023. The New Revolving Credit Facility will mature on the date falling three months prior to the maturity date of the Notes. In addition, all of our other indebtedness that will remain

outstanding following the Refinancing may be terminated or repayable prior to the maturity of the Notes. As a result, we may not have sufficient cash to repay all amounts owing on the Notes at maturity, since the prior maturity of such other indebtedness may make it difficult to refinance the Notes offered hereby. In addition, if our access to capital markets or our ability to enter new financing arrangements is reduced for any reason, we may not be able to refinance our New Revolving Credit Facility on satisfactory terms or at all, which could have a material adverse effect on our business, financial position and results of operations.

The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.

The Indenture will contain provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in "*Description of the Notes—Meeting of Holders of Notes*," the majority required to pass an extraordinary resolution at any meeting of holders of Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities (50% or 75%) to bind all holders of the Notes, including holders of Notes who did not attend and vote at the relevant meeting, and holders of Notes who voted in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or reduce the redemption price, to change the currency of payments under the Notes and/or to change the quorum requirements relating to meetings and/or to change the majority required to pass a resolution, and change the amendment provisions. These and other changes may adversely impact rights of holders of Notes and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of more than one half of the aggregate principal amount of the outstanding Notes. Our decision to increase the majority requirement is untested under Italian law, may be challenged by holders of the Notes, the Issuer and others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold may be reduced from 75% to 50%.

Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws.

The Issuer is organized under the laws of Italy and the Guarantors (other than the Guarantors organized under the laws of the states of New York and New Jersey) are organized under the laws of France, England and Germany. The bankruptcy, insolvency, administrative and other laws of Italy, France, England and Germany may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar, including in respect of creditors' reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that the Issuer or any future subsidiary of the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights against the Collateral in Italy and limit any amounts that you may receive. In addition, in the event that any non-U.S. guarantor becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, the assets of such Guarantors may be subject to local insolvency laws which may be materially different from, or in conflict with, U.S. bankruptcy laws. For an overview of certain insolvency laws and enforceability issues as they relate to the Issuer and the Guarantors, see "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*."

Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Guarantees and the Collateral.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could void or subordinate the claims under the Guarantees or the Collateral to other claims against any Guarantor if it was determined that any Guarantor:

- granted the Guarantees or the Collateral with actual intent to hinder, delay or defraud creditors or shareholders;

- received less than reasonably equivalent value or fair consideration for granting the Guarantees or the Collateral, and, at the time thereof was insolvent or rendered insolvent by reason of granting the Guarantees or the Collateral;
- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that the issuer would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceedings to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it cannot pay its debts as they become due.

We cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that any Guarantor was solvent after the granting of Guarantees or the Collateral. Regardless of the standard that the court uses, we cannot be sure that the granting of the Guarantees or the Collateral would not be voided or subordinated to our other debt. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for further information.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is incorporated under the laws of Italy and certain Guarantors are incorporated under the laws of France, England and Germany (the "**non-U.S. Guarantors**"). Most of the members of the Issuer's and non-U.S. Guarantor's management are non-residents of the United States and substantially all their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the non-U.S. Guarantors or the members of their management, or to enforce against the Issuer, the non-U.S. Guarantors or their officers and directors judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. See "*Service of Process and Enforcement of Judgments*."

The transferability of the Notes may be limited under applicable securities laws.

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See "*Offering and Transfer Restrictions*." It is the obligation of holders of the Notes to ensure that their purchase and any subsequent transfer of the Notes within the United States and other countries comply with applicable securities laws.

Holders of the Notes generally will not be entitled to a gross-up for any Italian withholding taxes, unless the Italian withholding tax is caused by a failure of the Issuer to comply with certain procedures.

The Issuer is organized under the laws of Italy and is Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments made by or on behalf of the Issuer in respect of the Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, subject to a number of exceptions, the Issuer will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer is not liable to pay any additional amounts to holders of the Notes under certain circumstances, including if any withholding or deduction is required pursuant to Italian

Legislative Decree No. 239 of April 1, 1996 ("**Decree 239**") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997 ("**Decree 461**"), except where the procedures required under Decree 239 in order to benefit from an exemption have not been complied with due to the actions or omissions of the Issuer or its agents. In such circumstances, investors subject to Italian withholding tax will only receive the net proceeds of their investment in the Notes. See "*Description of the Notes—Withholding Taxes*" and "*Tax Considerations—Certain Italian Tax Considerations*".

Although we believe that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, as amended and, supplemented from time to time and replaced, (the "**White List**"), and such holder complies with certain certification requirements there is no assurance that this will be the case. Moreover, holders of the Notes will bear the risk of any change in Decree 239 after the date hereof, including any change in the White List.

No assurance can be given that the listing of the Notes will satisfy the listing requirement of Decree 239.

No assurance can be given that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Decree 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. The Italian tax authorities issued an interpretive circular relating to, among others, the listing requirement of the aforementioned legislation that may be interpreted to require that the Notes be listed upon their issuance to benefit from the aforementioned provisions, including the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to a withholding tax, currently at a rate of 26%, and, subject to certain exceptions, see "*Description of the Notes—Withholding Taxes*", we would be required to pay additional amounts with respect to such withholding taxes such that holders receive a net amount that is not less than the amount that they would have received in the absence of such withholding. The Issuer cannot assure you that the Italian tax authorities will not interpret the applicable legislation as requiring that the listing be effective at closing (upon issuance of the Notes) and we cannot assure you that the listing can be achieved by the Issue Date. The imposition of withholding taxes with respect to payments on the Notes and the resulting obligation to pay, subject to certain exemptions, additional amounts to holders of the Notes could have a material adverse effect on our financial condition and results of operations.

No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of April 1, 1996 in respect of the Notes will be met by the relevant foreign intermediaries.

The regime provided by Decree 239 and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes who are the beneficial owners of the proceeds from the Notes and who are resident in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained as at the date of this Offering Memorandum in the Italian Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to comply with the procedural rules set for the application of the exemption regime or fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See "*Tax Considerations—Certain Italian Tax Considerations*".

An active trading market may not develop for the Notes.

The Notes are new securities for which there is currently no existing market. Although we will apply to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market within a reasonable period after the Issue Date, we cannot assure you that the Notes will become or will remain listed. In addition, we cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused

substantial price volatility. If a market for the Notes were to develop, such a market may be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after this Offering is completed. Nevertheless, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

The Notes offered hereby and the New Revolving Credit Facility bear interest at floating rates of interest equal to the applicable EURIBOR for the relevant interest period plus a margin adjusted at regular intervals. These interest rates could rise significantly in the future reducing cash flow available for capital expenditures and hindering our ability to make payments on the Notes. Moreover, in connection with the Notes and the New Revolving Credit Facility, a floor of 0% applies to the calculation of EURIBOR. Accordingly, should the relevant EURIBOR decrease below 0%, we would not be able to benefit from such decrease.

The Indenture will not contain a covenant requiring us to hedge all or any portion of our floating rate debt. We may, however, elect to enter into certain hedging arrangements designed to fix a portion of these rates, although there can be no assurance that we will enter into hedging or that hedging will be available on commercially reasonable terms. In addition, hedging carries certain risks, including that we may need to pay significant amounts (including costs) to terminate any hedging arrangements. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Investors may face foreign exchange risks by investing in the Notes.

The Notes offered hereby are denominated and payable in euro. If you measure your investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange risks related to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below the stated coupon rate and could result in a loss to you when the return on the offered Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for you as a result of any foreign exchange gains or losses resulting from an investment in the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies are expected to assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency in the future if in its judgment circumstances so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Certain covenants may be suspended upon the occurrence of a change in our ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of "Baa3" or better from Moody's Investors Service, Inc. ("**Moody's**") or "BBB-" or better from Standard & Poor's Financial Services LLC ("**S&P**") and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time that the Notes receive a rating of below "Baa3" from Moody's or "BBB-" from S&P, certain covenants will cease to be applicable to the Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.*" If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The nominee of the common depositary for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to the common depositary, we and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream Banking, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form*."

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

We expect the gross proceeds from the Offering will be €250.0 million. We intend to use the proceeds from the Offering, amounts received from the Marcolin Capital Increase and borrowings under the New Revolving Credit Facility, together with cash from balance sheet to redeem all of the outstanding Existing 2019 Notes (plus accrued interest and premium), repay all amounts outstanding under the Existing Revolving Credit Facility, pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment and associated costs, taxes and fees by its shareholder 3Cime, partially repay certain of our Bilateral Facilities and pay certain fees and expenses in connection with the Refinancing.

The estimated sources and uses of the proceeds of the Offering are shown in the table below. Actual amounts will vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, differences from our estimates of the costs of redeeming the Existing 2019 Notes and the ultimate timing thereof.

Sources of funds	(€ in millions)	Uses of funds	(€ in millions)
Notes offered hereby[1]	250.0	Refinancing of the Existing 2019 Notes[4]	200.0
Marcolin Capital Increase[2]	21.9	Repayment of the Existing Revolving Credit Facility[5]	25.0
New Revolving Credit Facility[3]	10.0	Dividends related to the Vendor Loan Note Repayment and associated costs, taxes and fees[6]	30.0
Cash from balance sheet	13.7	Partial repayment of Bilateral Facilities[7]	21.4
		Accrued interest and premium[8]	12.7
		Transaction fees and expenses[9]	6.5
Total sources	**295.6**	**Total uses**	**295.6**

(1) Assumes issuance at par.

(2) Represents amounts that, pursuant to the M/L JVA, and in connection with the M/L JV Formation, the Issuer will receive from LVMH in exchange for 6,828,708 new Class B shares of the Issuer, representing 10% of the fully-diluted capital of the Issuer. The Marcolin Capital Increase is subject to the approval of the M/L JV by the European Union anti-trust authorities and other standard closing conditions related to the M/L JV Formation, and will not occur on the Issue Date, and may not occur at all, but is expected to occur in the second quarter of 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*."

(3) Represents drawings under the New Revolving Credit Facility expected to be undertaken on or about the Issue Date. The New Revolving Credit Facility provides for a revolving credit facility of up to €40 million.

(4) On or about the date of this Offering Memorandum we intend to use the proceeds from the Offering, together with cash from balance sheet and borrowings under the New Revolving Credit Facility, to redeem the Existing 2019 Notes. The Existing 2019 Notes will be redeemed on or about February 14, 2017 following the delivery of a notice of redemption in respect of the Existing 2019 Notes and the deposit with the Trustee of funds in an amount sufficient to pay the redemption price (including accrued interest until, but excluding, February 14, 2017, the assumed date of redemption of the Existing 2019 Notes). As of September 30, 2016, the outstanding principal amount of the Existing 2019 Notes was €200.0 million. Following the Refinancing, the Existing 2019 Notes will have been entirely cancelled or satisfied and discharged. See "*Capitalization*."

(5) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of September 30, 2016. No additional amounts have been drawn under the Existing Revolving Credit Facility after September 30, 2016. Due to the seasonality of our business, working capital movements and other factors, the amount drawn under the Existing Revolving Credit Facility may change prior to the Issue Date. The amount does not include accrued interest or break costs.

(6) Represents one or more dividend payments by the Issuer to Marmolada in respect of the Vendor Loan Note Repayment by Marmolada's shareholder, 3Cime, including the repayment of the Vendor Loan Note and related costs, taxes and fees, a portion of which will be paid subsequent to the Issue Date. See "*Summary—Recent Developments—Vendor Loan Note Repayment*."

(7) Represents the partial repayment of certain of our Bilateral Facilities. As of September 30, 2016, we had €32.0 million in Bilateral Facilities outstanding. The partial repayment of these Bilateral Facilities will not occur on the Issue Date. We expect to make the partial repayment shortly following the completion of the Marcolin Capital Increase, which is subject to the approval of the M/L JV by the European Union anti-trust authorities and other standard closing conditions related to the M/L JV Formation, and will not occur on the Issue Date, and may not occur at all, but is expected to occur in the second quarter of 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*."

(8) This figure reflects (i) a redemption premium amounting to €8.5 million with respect to the redemption of the Existing 2019 Notes on or about February 14, 2017, the assumed date of redemption of the Existing 2019 Notes, at a premium of 104.25% and (ii) €4.2 million of accrued and unpaid interest as of, but excluding, February 14, 2017, the assumed date of redemption of the Existing 2019 Notes.

(9) Represents the estimated fees and expenses associated with the Offering including underwriting fees and commissions, financial advisory fees and other transaction costs and professional fees.

On or about the date of this Offering Memorandum, we expect to enter into the New Revolving Credit Facility Agreement with UniCredit Bank AG, Milan Branch, as agent and as Security Agent and the other parties thereto in the amount of €40.0 million, pursuant to which the Issuer is the borrower. The New Revolving Credit Facility will be secured by first-ranking security interests granted on an equal and ratable first-priority basis over the Collateral as well as by a special lien (*privilegio speciale*) to be granted by the Issuer over its movable assets. In the event of enforcement of the Collateral, the holders of the Notes will receive proceeds from the Collateral only after the lenders under the New Revolving Credit Facility and counterparties to certain hedging obligations, if any, have been repaid in full. We intend to draw €10.0 million under the New Revolving Credit Facility Agreement on or about the Issue Date in connection with the Refinancing. Following the Refinancing, the New Revolving Credit Facility will be used to provide our Group with liquidity for general corporate purposes. See "*Summary—The Refinancing—Sources and Use of Proceeds*," "*Capitalization*" and "*Description of Certain Financing Arrangements—New Revolving Credit Facility*."

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization on a historical basis and as adjusted to give effect to the Refinancing as if such events had occurred on September 30, 2016. The historical financial data presented in the following table has been derived from the unaudited interim consolidated financial statements of the Issuer as of and for the nine months ended September 30, 2016, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

You should read this table in conjunction with "*Summary—Recent Developments—Joint Venture with LVMH*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Principal Shareholders*," "*Description of Certain Financing Arrangements*" and the financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since September 30, 2016.

	As of September 30, 2016		
	Actual	Adjustments	As Adjusted
		(€ in thousands)	
Cash and cash equivalents	**43,328**	**(13,726)[(1)]**	**29,602**
Notes offered hereby[(2)]	—	250,000	250,000
Existing 2019 Notes[(3)]	200,000	(200,000)	—
Existing Revolving Credit Facility[(4)]	25,000	(25,000)	—
New Revolving Credit Facility	—	10,000[(5)]	10,000
Capital Leases[(6)]	926	—	926
Other	36,376[(7)]	(21,376)[(8)]	15,000
Total financial debt	**262,302[(9)]**	**13,624**	**275,926**
Total equity	227,708	(21,655)[(10)]	206,053
Total capitalization[(11)]	**490,010**	**(8,031)**	**481,979**

(1) Represents the net reduction to cash and cash equivalents of €13.7 million arising from the Refinancing. Although the Issuer will pay Marmolada a portion of the €30.0 million in total dividends subsequent to the Issue Date, the available cash and cash equivalents have been adjusted to reflect the effects of the payment of the full amount of the dividends, even though certain amounts may be paid by the Issuer to Marmolada subsequent to the Issue Date. See "*Summary—Recent Developments—Vendor Loan Note Repayment*." We have, pursuant to the M/L JVA, agreed to contribute equity to satisfy the capital requirements of M/L JV on a pro rata basis with our 49% ownership of M/L JV. *Adjusted* cash and cash equivalents has not been adjusted to reflect these future funding obligations. See "*Summary—Recent Developments— Joint Venture with LVMH*," "*Risk Factors—Risks Related to Our Business—We have entered into joint venture agreements with third parties in certain markets and to expand our brand portfolio, and we have certain obligations to make capital contributions in respect of such joint ventures in the future*" and "*Use of Proceeds*." In addition, given the seasonality, working capital movements and other factors of our business, January, February and March typically represent the months in which we have the highest amounts of working capital during the course of the entire year and, therefore, further borrowings under the New Revolving Credit Facility may be necessary during this period following the Issue Date to fund our working capital requirements. See "*Risk Factors—Risks Related to Our Business—Our business is affected by seasonality*." Cash and cash equivalents has not been adjusted to reflect (i) $3.0 million (translated into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) in respect of the Viva Acquisition Deferred Payment or (ii) $1.5 million (translated into €1.3 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) in respect of the payment by Marcolin USA of the HVHC Tax Payment, which will be paid by Marcolin USA from cash on balance sheet on or about the Issue Date, but in no event later than February 15, 2017. Cash and cash equivalents as of December 31, 2016 equaled approximately €42.3 million. Cash and cash equivalents as of December 31, 2016 is an estimate based on our management's initial review of our results of operations, and has not been audited, reviewed or compiled by independent auditors.

(2) Represents the aggregate principal amount of the Notes offered hereby. This figure does not reflect estimated unamortized costs of the Refinancing of €6.5 million.

(3) Represents the aggregate principal amount of the Existing 2019 Notes. This figure does not reflect €5.6 million of unamortized transaction costs or €6.4 million of accrued and unpaid interest, each as of September 30, 2016.

(4) Represents the outstanding principal amount of the Existing Revolving Credit Facility as of September 30, 2016. No additional amounts have been drawn under the Existing Revolving Credit Facility after September 30, 2016. Due to the seasonality of our business, working capital movements and other factors, the amount drawn under the Existing Revolving Credit Facility may change prior to the Issue Date. The amount does not include accrued interest or break costs. This figure does not reflect €0.2 million of accrued and unpaid interest as of September 30, 2016.

(5) Represents drawings under the New Revolving Credit Facility expected to be undertaken on or about the date of this Offering Memorandum. The New Revolving Credit Facility provides for a revolving credit facility of up to €40.0 million.

(6) Represents the Capital Leases, which are secured obligations of the Issuer. See "*Description of Certain Financing Arrangements—Capital Leases*."

(7) Represents (i) €32.0 million of Bilateral Facilities, (ii) the Viva Acquisition Deferred Payment of $3.0 million (translated into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) (iii) €1.1 million of recourse (*pro solvendo*) factoring arrangements and (iv) €0.6 million of other unsecured third-party debt. See "*Description of Certain Financing Arrangements*."

(8) Represents the partial repayment of certain of our Bilateral Facilities in connection with the Refinancing, which we expect to occur shortly following the completion of the Marcolin Capital Increase, which is subject to the approval of the M/L JV by the European Union

anti-trust authorities and other standard closing conditions related to the M/L JV Formation, and will not occur on the Issue Date, and may not occur at all, but is expected to occur in the second quarter of 2017. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*." Total financial debt has not been adjusted for the Viva Acquisition Deferred Payment of $3.0 million (translated into €2.7 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016).

(9) This figure does not reflect €5.6 million of unamortized transaction costs, as of September 30, 2016, related to the Existing 2019 Notes.

(10) This figure reflects the net effect on shareholders' equity of (i) €9.7 million (net of tax effects) related to the redemption premium and accrued but unpaid interest on the Existing 2019 Notes and (ii) €3.9 million (net of tax effects) related to the recognition of the unamortized transaction costs of the Existing 2019 Notes. These effects will be recorded in the income statement on the redemption date of the Existing 2019 Notes, which we expect will be on or about February 14, 2017. In addition this figure reflects the effect on shareholders' equity of (i) €30.0 million related to one or more dividends to Marmolada related to the Vendor Loan Note Repayment by its shareholder, 3Cime, including the repayment of the Vendor Loan Note and related costs, taxes and fees and (ii) €21.9 million as a result of the Marcolin Capital Increase. See "*Summary—Recent Developments—Joint Venture with LVMH*."

(11) Total capitalization is defined as the sum of total financial debt and total equity.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth the selected historical consolidated financial and other information for the Group for the periods ended and as of the dates indicated below. The historical financial data presented in the following tables do not reflect changes as a result of the Refinancing. For a detailed discussion of the presentation of financial data, see "Presentation of Financial Information and Other Data."

Basis of Preparation

The Issuer's selected consolidated financial information presented below has been extracted or derived from: (i) the Unaudited Interim Condensed Consolidated Financial Statements; and (ii) the Audited Consolidated Financial Statements.

We completed the Viva Acquisition on December 3, 2013 and began consolidating the results of the Viva Group at and from that date. As a result, the Issuer's consolidated income statement and cash flow statement for the year ended December 31, 2013 (when the results of the Viva Group were only consolidated with the results of the Issuer for approximately one month) are not directly comparable to those for the year ended December 31, 2014 (when the results of the Viva Group were consolidated with the results of the Issuer for the entire period).

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements are included in the F-Pages to this Offering Memorandum.

The Unaudited Interim Condensed Consolidated Financial Statements and the Audited Consolidated Financial Statements contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the effect that future additions to, or amendments of, IFRS principles may have on the Issuer's results of operations and/or financial condition, as well as on the comparability of the prior periods.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information for the nine months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Twelve Months Ended September 30, 2016

The selected financial information for the twelve months ended September 30, 2016 is calculated by taking the results of operations of the Issuer for the nine months ended September 30, 2016 and adding to it the difference between the results of operations of the Issuer for the full year ended December 31, 2015 and the nine months ended September 30, 2015. The financial information for the twelve months ended September 30, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

Selected Consolidated Income Statement Information

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
	(€ in thousands)					
Net revenues	212,327	362,133	434,842	323,371	335,142	446,613
Cost of sales	(81,883)	(145,360)	(178,981)	(133,525)	(141,983)	(187,439)
Gross profit	**130,444**	**216,773**	**255,861**	**189,846**	**193,159**	**259,174**
Distribution and marketing expenses	(101,688)	(169,250)	(199,598)	(150,419)	(148,429)	(197,608)
General and administrative expenses	(20,707)	(31,711)	(32,013)	(25,443)	(22,929)	(29,499)
Other operating income and expenses	1,910	4,120	3,867	3,067	1,291	2,091
Operating income—EBIT	**9,959**	**19,932**	**28,117**	**17,051**	**23,092**	**34,158**

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)	2016 (Unaudited)
				(€ in thousands)		
Financial income and costs	(21,769)	(12,830)	(20,548)	(17,556)	(14,501)	(17,493)
(Loss)/Profit before taxes	**(11,810)**	**7,102**	**7,569**	**(505)**	**8,591**	**16,665**
Income tax expense	(201)	(6,695)	(10,082)	(5,291)	(3,648)	(8,439)
Net (loss)/profit for the period	**(12,011)**	**407**	**(2,513)**	**(5,796)**	**4,943**	**8,226**

Selected Consolidated Statement of Financial Position Information

	As of December 31,			As of September 30,
	2013	2014	2015	2016 (Unaudited)
		(€ in thousands)		
Property, plant and equipment	22,957	24,657	27,258	25,075
Intangible assets	29,341	37,213	46,043	47,915
Goodwill	266,833	278,010	288,225	285,280
Inventories	68,301	100,075	120,214	124,297
Trade receivables	71,827	80,576	85,115	66,938
Cash and cash equivalents	38,536	36,933	40,382	43,328
Other current and non-current assets	56,845	62,854	60,007	53,906
Total assets	**554,640**	**620,318**	**667,244**	**646,739**
Non-current financial liabilities	195,891	199,152	200,626	200,687
Current financial liabilities	17,707	41,353	58,226	62,800
Trade payables	65,263	102,322	120,787	108,985
Other current and non-current liabilities	60,804	54,678	57,681	46,559
Total liabilities	**339,665**	**397,505**	**437,320**	**419,031**
Total equity	**214,975**	**222,813**	**229,924**	**227,708**
Total liabilities and equity	**554,640**	**620,318**	**667,244**	**646,739**

Selected Consolidated Statement of Cash Flows Information

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)
			(€ in thousands)		
Net cash from/(used in) operating activities[(1)]	477	5,071	24,617	(10,367)	27,971
Net cash used in investing activities	(131,902)	(18,654)	(21,915)	(14,103)	(16,662)
Net cash from/(used in) financing activities[(1)]	125,468	8,244	(578)	11,128	(7,347)
Effect of foreign currency exchange rates	(707)	3,736	1,325	950	(1,016)
Net (decrease)/increase of cash and cash equivalents	**(6,664)**	**(1,603)**	**3,449**	**(12,392)**	**2,946**

(1) Interest paid has been reclassified from operating activities to financing activities.

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

The following is a discussion and analysis of our financial condition and results of operation in the periods set forth below. This discussion should be read together with, and is qualified in its entirety by reference to our consolidated financial statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion should also be read in conjunction with "Presentation of Financial Information and Other Data" and "Summary Historical Consolidated Financial Information and Other Data." The discussion in this section may contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Risk Factors" and "Forward-Looking Statements."

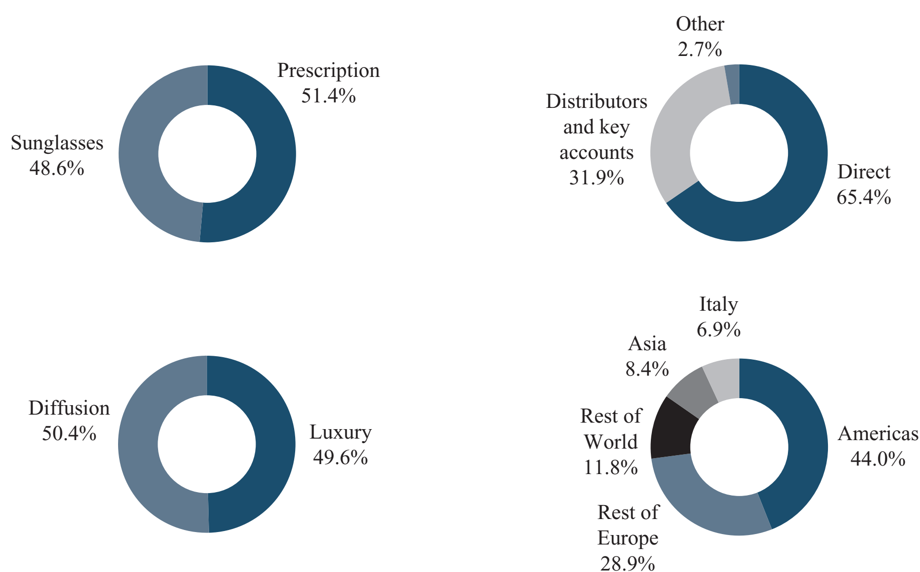
Unless the context indicates otherwise, in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," references to "we," "us," "our," or the "Group" refer to the Group.

The financial information for the twelve months ended September 30, 2016 is calculated by taking the Group's consolidated results of operations for the nine months ended September 30, 2016 and adding it to the difference between the Group's results of operations for the full year ended December 31, 2015 and the nine months ended September 30, 2015. See "Presentation of Financial Information and Other Data."

Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We are one of the world's largest eyewear wholesale players by revenue, with a broad portfolio of 26 licensed brands that appeal to key demographics across six continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate (or we believe have a potential to generate) between €30 million to €100 million in net revenues for us annually. Our portfolio includes iconic luxury high-fashion brands such as Tom Ford, TOD'S, Balenciaga, Roberto Cavalli, Montblanc, Zegna, Pucci, DSquared2, Moncler and Omega as well as more affordable, diffusion brands such as Guess, Diesel, Harley Davidson, Swarovski, Just Cavalli, Timberland, Cover Girl, Kenneth Cole New York and Kenneth Cole Reaction. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 63.6% of our net revenues for the year ended December 31, 2015 was generated by sales of products under licenses expiring after 2023. The weighted average remaining term of our licenses was 8.3 years as of December 31, 2016. For the twelve months ended September 30, 2016, we had total net revenues of €446.6 million, Adjusted EBITDA of €50.3 million and we sold approximately 14.1 million units.

The graphics below present certain information about our net revenues for the twelve months ended September 30, 2016.



Our product portfolio encompasses 26 licensed brands as well as four proprietary brands. We produce prescription frames, sunglasses and ski goggles for women and men, targeting consumers at different price points. We generate the majority of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we are able to design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our new, state-of-the-art facilities in Longarone and Fortogna in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of these sophisticated and time-intensive design and production processes, the eyewear in our luxury category generally retails for prices of between €100 and €760. The diffusion category comprises stylish but more affordable licensed-brand alternatives. Within this category we use our expertise in industrializing eyewear production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us sell our diffusion eyewear products at retail prices of generally between €10 and €265.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in sunglasses with a complementary leading position in prescription frames and a significantly expanded distribution network in the United States and certain other markets. Since completing the Viva Acquisition, we have strategically integrated and restructured the Viva Group into our sales, manufacturing and distribution operations, strengthening our leading global position in the eyewear wholesale market.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Montblanc, Timberland and Omega, that primarily target women such as Guess, Swarovski, Cover Girl and Balenciaga, and that primarily target younger consumers such as Diesel and DSquared2. In addition, on January 31, 2017 we entered into the M/L JVA with LVMH pursuant to which, subject to certain conditions and approvals, M/L JV will, starting in 2018, design and manufacture eyewear for luxury LVMH brands, including Céline and Louis Vuitton, with the purpose of becoming the preferred partner of LVMH in the eyewear business. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*." We believe the risk of changing consumer fashion tastes is mitigated by our and M/L JV's ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through nine direct subsidiaries, over 150 partner distributers and three controlled joint ventures across six continents that reaches 77,534 individual POS (of which, 27,910 POS in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through nine commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference gained by soliciting consumer feedback on preferences at each stage of our business model and integrating that feedback into our product designs. This feedback model allows us to cultivate and grow our brands as they respond to evolving consumer preference. Our integrated business model also enables our design team to create eyewear with a view to industrialization of its production. For in-house production of our luxury brand units, our manufacturing plants have been streamlined using high precision and flexible workstations and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our

luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

Key Factors Affecting Our Financial Condition and Results of Operations

The Viva Acquisition

We completed the Viva Acquisition on December 3, 2013.

The Viva Group was a leading eyewear wholesale designer and distributor of premium eyewear. The Viva Group's net sales were concentrated mainly in the "diffusion" brand category, with a strong position in prescription frames. Consistent with our growth strategy, the Viva Acquisition has developed our Group into a true global player by expanding our scale, product range, brand portfolio, geographical presence and distribution network. As a result of the acquisition, we added several brands to our diffusion brand portfolio, including Guess, Gant, Harley Davidson, and other brands targeted specifically to the US market.

We believe the increased diversity of our brands, the expansion of our diffusion brands portfolio and the enhanced balance of our eyeglasses and sunglasses offering were among the key strategic achievements of the Viva Acquisition. Additionally, the Viva Group's strong presence in the United States strengthened our position in the United States, where we now have access to one third of independent US opticians.

The Viva Acquisition has significantly increased our net revenues. The Viva Group contributed net revenues of €8.2 million for the period from December 3, 2013 (Viva Acquisition date) to December 31, 2013 and €133.3 million in 2014, contributing to 83.5% of the increase in net revenues from 2013 and 2014.

The Viva Group integration, which was completed by the end of 2015, allowed us to redistribute international markets, organize our geographical hubs and restructure our sales and marketing organization. We generated efficiencies through the consolidation of warehouse facilities, IT systems and procurement department savings. We also generated efficiencies through the elimination of duplications in operations, savings in executive management and back-office personnel, consolidation of corporate functions, and shared usage of operational, office, and distribution networks.

We estimate that the integration of the Viva Group has allowed us to achieve approximately €10.0 million of annual run-rate cost savings synergies starting in 2015 (using 2013 as the reference year), exceeding our initial estimates of €8.5 million. In particular, cost savings synergies of €3.6 million and €6.4 million were realized in 2014 and 2015, respectively. Of the total €10.0 million in cost savings synergies, €8.6 million was related to sales and marketing, logistics and operations, and the remainder was related to finance, legal and tax, IT, human resources and communications, while geographically the cost savings synergies were primarily realized in the US and the UK, as well as Brazil, Canada, France and Hong Kong.

The principal effects of the integration of the Viva Group are summarized below:

- The sales forces were integrated in the US, the UK, France, Brazil and Hong Kong in 2014.
- All countries were integrated into the Marcolin IT platform and SAP system, and Viva US went live on October 1, 2014. The IT services in the US were merged into our operations in New Jersey in April 2015, and an updated sales force mobile app was released to support the sales in all countries affected by the integration.
- The restructuring of corporate and back-office functions was completed between 2014 and the beginning of 2015, fully in line with the integration plan with respect to the reorganization of the foreign operations in the US, the UK, France, Brazil and Hong Kong.
- The logistics and distribution networks in North America were integrated and streamlined by reducing the number of operating plants. The Arizona and Canadian plants were closed down in April and November 2015, respectively, and the US and Canadian markets are now served by our operations in New Jersey. The integration of Viva Canada Inc. began in July 2015 and was completed by the end of 2015.

- In 2014, the UK and Hong Kong distribution centers were integrated into the Group's network.
- The international distribution operations of Viva Eyewear UK Ltd. were transferred to the Company and the domestic distribution operations were transferred to Marcolin UK in September 2014.
- In July 2014, a new branch was set up in Hong Kong to serve the entire client base of Viva and Marcolin in the Asia-Pacific region and to manage the sourcing operations out of China.
- The warehouse in France was closed, with related sales being conducted from Italy since the end of 2014.
- The logistics operations in Brazil were integrated into the Alphaville, Brazil warehouse at the beginning of 2015.
- In January 2015, a corporate restructuring process was completed whereby M-USA, Viva Europa, Viva International, Inc. and Viva IP, Corp. were merged with and into Viva. Viva's name was subsequently changed to Marcolin USA Eyewear, Corp.
- In January 2015, Marcolin France acquired Viva France S.A.S., which was subsequently merged with and into Marcolin France.
- In January 2015, Marcolin do Brasil acquired Viva Brasil Comércio Produtos Opticos Ltda, which was subsequently merged with and into Marcolin do Brasil.

In order to achieve such synergies, we incurred non-recurring costs of approximately €7.1 million and €9.4 million in 2015 and 2014, respectively, primarily related to the following:

- United States: Consulting fees and other costs related to closing the Arizona plant and moving the logistics operations to New Jersey, in addition to the severance costs paid to former employees;
- Canada: Costs related to closing the Canadian plant and moving the logistics operations to New Jersey, in addition to severance costs paid to former employees;
- France: Severance costs paid to former employees, as well as costs for changing the status of the sales representatives from "Voyageur Représentant Placier" (or "VRP") to "Attaché Commercial". The negotiations eliminated a potential future liability because by law VRP are entitled to significant indemnities in the event of contract termination.

General Economic Conditions and Consumer Discretionary Spending

According to the Italian Association of Optical Goods Manufacturers (*Associazione Nazionale Fabbricanti Articoli Ottici*), during the first half of 2016, Italian eyewear exports grew by 4.7% while the value of Italian eyewear sales within Italy grew by approximately 7%. Italian eyewear production increased by 12.5% from 2014 to 2015 and by 9.4% from 2013 to 2014. The positive trend of exports through the first half of 2016 is mainly attributable to sunglasses, while prescription frames have been substantially consistent. On an industry wide basis, Europe and Africa experienced the strongest results, while the Americas and Asia experienced a slowdown compared to the previous year. Exports of Italian eyewear to emerging markets, both for established markets and newly penetrated markets, performed well overall with slight differences between countries. Mexico, Russia and South Africa experienced a positive trend compared to the previous year, while China, Brazil, Turkey and South Korea experienced a negative trend. The Italian market continued a positive trend that began in 2015, with higher volumes and sales prices, especially with respect to sunglasses, the sales of which are generally more affected by worldwide economic conditions and consumer discretionary spending compared to prescription frames.

According to Taiyou Research, the wholesale sunglasses market could grow at a CAGR of 5.8% for the years 2013 to 2020, driven by increased awareness of the danger of UV exposure, multi-pairing (consumers purchasing more than one pair of glasses), innovation (increased penetration of higher added-value products such as polarized lenses) and increased penetration in emerging markets. For the wholesale prescription frames market, the forecasted CAGR is 3.4% for the years 2013 to 2020, in line with the long-term growth rate of the corrective lenses market (3-4% per annum). The prescription frame industry is fragmented and highly competitive, with a limited number of global players and several local manufacturers/brands. However, we believe that competition is more limited in the premium/luxury segment. For the years 2013 to 2020, the CAGR in the prescription frames and sunglasses market is expected to be 2.8% in mature markets compared to 8.7% in emerging markets where penetration rates for all types of products are significantly lower than in mature countries.

(Source: ANFAO and Taiyou Research)

Developments by Geographic Segment

The following table sets forth an analysis of net revenues by geographic segment, which is based on destination market. For further explanation of destination market, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Key Line Items and Certain Key Performance Indicators—Net Revenues*."

	For the year ended December 31,						For the twelve months ended September 30,	
	2013	**% of total**	**2014**	**% of total**	**2015**	**% of total**	**2016 (Unaudited)**	**% of total**
	(€ in thousands, except percentages)							
Net revenues								
Americas	96,440	45.4%	173,218	47.8%	210,736	48.5%	196,387	44.0%
Europe	70,349	33.1%	121,359	33.6%	138,553	31.9%	159,803	35.8%
Italy	*14,933*	*7.0%*	*21,223*	*5.9%*	*26,555*	*6.1%*	*30,877*	*6.9%*
Rest of Europe	*55,416*	*26.1%*	*100,136*	*27.7%*	*111,998*	*25.8%*	*128,926*	*28.9%*
Asia	20,067	9.5%	28,137	7.8%	38,573	8.9%	37,417	8.4%
Rest of World	25,471	12.0%	39,419	10.8%	46,980	10.7%	53,006	11.8%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**434,842**	**100.0%**	**446,613**	**100.0%**

Net revenues have increased year over year, from €212.3 million in 2013 to €362.1 million in 2014, €434.8 million in 2015 and €446.6 million for the twelve months ended September 30, 2016. The increase from 2013 to 2014 was primarily related to the Viva Acquisition completed on December 3, 2013, which contributed to €125.1 million, or 83.5%, of the increase in net revenues between 2013 and 2014. The Viva Acquisition, which was completed by the end of 2015, significantly expanded our brand portfolio and product range, as well as our geographical presence and distribution network, especially in the United States, Europe and Asia. We believe the Viva Acquisition has solidified our presence as a global leader in the wholesale eyewear sector and has allowed us to continue to achieve significant net revenues growth. From 2014 to 2015 net revenues increased by 20.1%, primarily as a result of increased net revenues from our luxury brands, which grew by 28.4% (in part as a result of the addition of new luxury brands such as Ermenegildo Zegna and Emilio Pucci to our portfolio), as well as from our diffusion brands, which grew by 13.5%**.** This net revenues growth has been sustained through the twelve months ended September 30, 2016, which have benefitted in part from the addition of the Moncler and Omega brands to our luxury brands portfolio.

Americas is our largest geographical segment by net revenues, with the United States being our single largest market. In particular, as a percentage of total net revenues, Americas increased from 45.4% in 2013 to 47.8% in 2014 and 48.5% in 2015. Such increases in Americas net revenues as a percentage of total net revenues reflects our strong presence in the region, which significantly benefited from the Viva Acquisition given the Viva Group's strong presence in the United States. From 2015 to the twelve months ended September 30, 2016, Americas net revenues as a percentage of total net revenues decreased from 48.5% to 44.0%, while Rest of Europe net revenues as a percentage of total net revenues increased from 25.8% to 28.9%. The decrease in net revenues generated by the Americas was driven by a decrease in retail department stores and direct optical sales.

The increase in net revenues generated by the Rest of Europe was driven by the performance of several of our main markets in the region, including France, Germany and Spain, as well as the performance of new joint ventures created in December 2014 in Russia (with first revenues generated in 2015) and in February 2015 in Nordic Europe (formed in Sweden), in which we hold a controlling stake. In particular, the joint venture in Russia generated net revenues of €5.1 million and €3.6 million, and the joint venture in Nordic Europe generated net revenues of €3.5 million and €4.7 million, for the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively. The Group also created a joint venture in China in November 2014 (with first revenues generated in 2015). In particular, the joint venture in China generated net revenues of €5.5 million and €3.8 million for the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively.

The net revenues as a percentage of total net revenues for Italy, Asia and Rest of World experienced marginal changes during the periods presented.

See "*Summary—Recent Developments—Current trading for the eleven months ended November 30, 2016*" for a discussion of trends since September 30, 2016.

License Agreements

Royalties

Net revenues in our core business are generated through licenses, which we enter into to design, manufacture and distribute sunglasses and prescription eyeglass frames with various leading designers and fashion houses. Licensors are remunerated through royalties, which may either be based on a percentage of net sales (variable royalty amounts, or "**VRA**"), or VRA subject to a minimum amount, whereby if the minimum sales are not achieved, a minimum annual guaranteed amount is payable ("**MAG**"). Moreover, the license agreements generally also provide for amounts payable for advertising and promotional purposes. See "*Business—Intellectual Property—License Agreements*." The percentages on net sales on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG, vary license by license and may vary period on period, in accordance with the individual agreements.

The following tables set forth an analysis of royalties incurred for the periods indicated.

	For the year ended December 31,									For the twelve months ended September 30,		
	2013	**% of total**	**% of net revenues**	**2014**	**% of total**	**% of net revenues**	**2015**	**% of total**	**% of net revenues**	**2016**	**% of total**	**% of net revenues**
										(Unaudited)		
	(€ in thousands, except percentages)											
VRA royalties	23,396	70.7%	11.0%	38,063	85.7%	10.5%	45,492	84.8%	10.4%	47,592	87.3%	10.7%
MAG royalties	9,719	29.3%	4.6%	6,328	14.3%	1.8%	8,124	15.2%	1.9%	6,942	12.7%	1.5%
Total	**33,115**	**100.0%**	**15.6%**	**44,391**	**100.0%**	**12.3%**	**53,616**	**100.0%**	**12.3%**	**54,534**	**100.0%**	**12.2%**

Royalties increased from €33.1 million in 2013 to €44.4 million in 2014, €53.6 million in 2015 and €54.5 million for the twelve months ended September 30, 2016. As a percentage of net revenues, royalties decreased from 15.6% in 2013 to 12.3% in 2014 and 2015, and to 12.2% for the twelve months ended September 30, 2016, primarily attributable to MAG royalties, which decreased as a percentage of net revenues from 4.6% in 2013 to 1.8% in 2014. This was primarily related to the Viva Acquisition, which resulted in the introduction of several new brands (mainly diffusion brands) to the Group's portfolio that had, on average, lower royalty requirements compared to the existing brands prior to the Viva Acquisition. Since 2014, total royalties have been substantially unchanged as a percentage of net revenues, with small variations in the composition between VRA and MAG royalties. The Group's increasing sales have supported the minimum sales volumes required in license contracts, thereby reducing MAG royalties, as evidenced by the overall decrease in MAG revenues as a percentage of total royalties, from 14.3% in 2014 to 12.7% for the twelve months ended September 30, 2016.

Payments Related to Licenses

In obtaining new licenses, renegotiating or renewing existing licenses, we may incur expenses and cash outflows. The cash outflows associated with such licenses may occur in periods different from when the related capital expenditure and expense are recognized in the financial statements.

In 2015, we renegotiated a license agreement for consideration of €1.6 million, of which €0.5 million was paid in the nine months ended September 30, 2016 and the remainder will be paid in subsequent periods.

In 2015, we renegotiated a license agreement for consideration of approximately €15.0 million, of which €5.1 million was paid in 2015, €5.0 million was paid in the nine months ended September 30, 2016 and the remainder will be paid in subsequent periods extending until 2022.

In 2014, we renegotiated a license agreement for consideration of €6.1 million, of which €2.4 million was paid in 2014, €2.0 million was paid in 2015, €1.5 million was paid in the first nine months of 2016 and the remainder will be paid in subsequent periods.

Additionally, during the periods presented, we made cash payments for licenses that were renewed or renogotiated in previous periods. These cash payments amounted to €4.0 million in 2014, €4.0 million in 2015 (relating to fees for renegotiating certain contracts where we achieved what we believe are improved economic terms) and €5.4 million for the nine months ended September 30, 2016 (relating to a residual debt of the Viva Group and which we have considered part of the price of the Viva Acquisition).

During the period from 2013 through September 30, 2016, we also renewed 20 licenses without incurring any renewal fees, and were often able to renegotiate what we believe are improved contractual and economic terms in those licenses.

License Life Cycle

Typically, when we enter into an agreement with a new licensor, there is a time lag between the date of the agreement and the date the agreement begins to generate sales. For example, the Ermenegildo Zegna license was entered into in September 2013, while it began generating sales in January 2015. The time lag is as a result of (i) informal agreements with previous producers of such licenses to close out their product collections prior to launching new product collections with a new producer, and (ii) the time required for our designers and the licensor to agree on products to launch to the market. When launching a new brand, sales generally peak in the first year of the launch as we fill our customers' inventory for the first time, and usually stabilize thereafter. All brands in our portfolio generated sales during the period covered by this analysis.

We evaluate and analyze our portfolio of brands and licenses with a strategy to capitalize on the consumer segments that we believe are the most commercially attractive. Such evaluation during the period covered by this analysis has not resulted in our transitioning out of any licenses, however, since 2013 we discontinued two of our proprietary brands that we felt no longer resonated with consumers or otherwise did not maintain attractive margins.

Production Activities

Our production activities have significantly benefitted from the opening of our Fortogna plant, which commenced activities in May 2015. The new plant has allowed us to double our Italian manufacturing operations with a new 3,500 square meter factory close to our historic headquarters in Longarone, Italy. We made investments of approximately €5 million to purchase the Fortogna plant, as well as plant and machinery to expand production capacity, to transfer the acetate division from the Longarone plant to the Fortogna plant, and to renew the floor space made available from transferring the acetate division from Longarone to Fortogna.

The consolidation and development of our production capacity in Italy have allowed us to execute our business plan and promote the organic growth of our operations, primarily through the following advantages:

- reduced dependence on external suppliers;
- increased productivity and a one week reduction in lead time, allowing us to rapidly seize important market opportunities;
- made in/made out realignment according to the eyewear industry standards (and those of our main competitors) and expansion of the capacity to produce more Italian-made products, which are increasingly perceived as having added value by the Italian and international clientele;
- production insourcing will allow greater control of production factors and production savings, as well as help to mitigate the inflation risk in the Chinese sourcing market.

Brand Portfolio

We design, produce and distribute sunglasses and prescription frames bearing a variety of brands that cater to different demographics. We divide our licensed brands into the following categories:

- *Luxury brands*—high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) and often characterized by higher retail prices.
- *Diffusion brands*—products that respond to market trends and are positioned in the mid and upper-mid price segments targeting a wider customer base than luxury brands.

Luxury brand items generally offer more attractive gross margins than diffusion products, as the higher retail price of luxury brand items is not always completely offset by the higher cost of sales resulting from more expensive raw materials and packaging used to manufacture such products. Additionally, given that diffusion brand products target a wider customer base, they are generally sold in greater volumes compared to luxury brand products and as a result, generally have greater discounts applied to them. Our portfolio includes iconic luxury high-fashion brands such as Tom Ford, TOD'S, Balenciaga, Roberto Cavalli, DSquared2, Montblanc, Ermenegildo Zegna, Emilio Pucci, Moncler and Omega as well as more affordable, diffusion, brands such as Guess, Diesel, Harley Davidson, Swarovski, Just Cavalli, Timberland, Cover Girl, Kenneth Cole New York and Kenneth Cole Reaction. Having a balanced portfolio of brands allows us to benefit from cross-selling opportunities by offering our clients a range of products from both luxury and diffusion brand categories at different price points.

The following tables set forth an analysis of net revenues by brand type for the periods indicated.

	For the year ended December 31,						For the twelve months ended September 30,	
	2013	% of total	2014	% of total	2015	% of total	2016 (Unaudited)	% of total
	(€ in thousands, except percentages)							
Net revenues								
Luxury brands	144,031	67.8%	159,053	43.9%	204,254	47.0%	221,638	49.6%
Diffusion brands . . .	68,296	32.2%	203,080	56.1%	230,588	53.0%	224,975	50.4%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**434,842**	**100.0%**	**446,613**	**100.0%**

Net revenues from luxury brands increased consistently over time, from €144.0 million in 2013 to €159.1 million in 2014, €204.3 million in 2015 and €221.6 million for the twelve months ended September 30, 2016. The proportion of our net revenues generated through luxury brands decreased from 67.8% in 2013 to 43.9% in 2014, and then increased to 47.0% in 2015 and 49.6% for the twelve months ended September 30, 2016. The decrease in the proportion of net revenues generated from luxury brands from 2013 to 2014 was attributable to the Viva Acquisition, which significantly added to our diffusion brands portfolio. The increase in net revenues over each period, and the increase in the proportion of net revenues generated from luxury brands from 2014 to the twelve months ended September 30, 2016, is attributable to our strategic focus on luxury brands and the expansion of our luxury brands portfolio, including the introduction of new licenses for luxury brands, such as Ermenegildo Zegna in 2013, Emilio Pucci in 2015 and Moncler in 2016. This increase in luxury brands net revenues has positively affected our overall net revenues, due to the higher average price per unit of luxury brands compared to diffusion brands.

Net revenues from diffusion brands increased from €68.3 million in 2013 to €203.1 million for 2014 and €230.6 million in 2015, and then decreased to €225.0 million for the twelve months ended September 30, 2016. The significant increase from 2013 to 2014 was primarily attributable to the Viva Acquisition (which as previously mentioned significantly increased our diffusion brands portfolio). The trend in diffusion brands since 2014 reflects our continued focus on diffusion brands while also reflecting our strategic focus on the luxury brands market.

The brand mix has a direct effect on our net revenues, as consumers in different markets have differing tastes, and some brands that perform particularly strongly in one market may not perform as well in others. The diversity of our brands following the Viva Acquisition has enhanced the equilibrium of our brand portfolio between luxury and diffusion brands, as well as among men's and women's products, allowing us to cater to a wide range of customers with varying preferences.

Product Type

As prescription frames are typically non-discretionary purchases, they are generally more resilient to economic downturns and seasonality compared to sunglasses, the sales of which are more affected by worldwide economic conditions and consumer discretionary spending. Sales of sunglasses have historically exhibited higher growth rates than prescription frames in periods of economic growth. From 2013 to 2015, the worldwide sunglasses wholesale market grew at a CAGR of 7.2%, compared to 3.7% for the prescription frames market.

The following table sets forth an analysis of net revenues by product type for the periods indicated.

	For the year ended December 31,						For the twelve months ended September 30,	
	2013	% of total	2014	% of total	2015	% of total	2016 (Unaudited)	% of total
	(€ in thousands, except percentages)							
Net revenues								
Sunglasses	125,764	59.2%	177,466	49.0%	215,088	49.5%	217,230	48.6%
Prescription frames	86,563	40.8%	184,667	51.0%	219,754	50.5%	229,383	51.4%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**434,842**	**100.0%**	**446,613**	**100.0%**

Net revenues from sunglasses increased from €125.8 million in 2013 to €177.5 million in 2014, €215.1 million in 2015 and €217.2 million for the twelve months ended September 30, 2016. Net revenues from prescription

frames increased from €86.6 million in 2013 to €184.7 million in 2014, €219.8 million in 2015 and €229.4 million for the twelve months ended September 30, 2016.

The Viva Acquisition has increased the proportion of net revenues generated from prescription frames and allowed us to enhance the balance of our portfolio between sunglasses and prescription frames, as shown by the change in net revenues from prescription frames as a percentage of total net revenues following the Viva Acquisition, from 40.8% in 2013 to 51.0% in 2014. Since the Viva Acquisition, the proportion of our net revenues generated from sunglasses and prescription frames has been relatively consistent, from 49.0% in 2014, to 49.5% in 2015 and 48.6% for last twelve months ended September 30, 2016 for sunglasses and from 51.0% in 2014, to 50.5% in 2015 and 51.4% for last twelve months ended September 30, 2016 for prescription frames.

Sales Channels

We sell and distribute our products directly through our subsidiaries in our core markets, employing a network of salespeople that assist us in marketing our products to customers.

The following is a summary of our sales channels.

Direct: sales through our subsidiaries and joint ventures directly to customers such as retail (which includes independent opticians and small optical chains) and department stores. The direct sales channel generally offers higher gross margins (as there is no sales intermediary), however this channel incurs greater agent costs (commissions) that are negligible in our other sales channels, as well as higher distribution and commercial costs as a result of the fragmented customer base. Within Southern Europe, direct sales are generally more common, whereas sales through key accounts are generally more common in the Americas and certain Northern European markets.

Distributors: sales through third-party distributors. Distributor sales generally have a lower gross margin due to lower sales prices as a result of the presence of third party intermediaries, although the lower gross margin is substantially offset by the fact we do not pay commissions to sales representatives on such sales and we incur lower distribution expenses, as there is a higher concentration of sales per customer. We rely on this channel in markets in which we do not have our own commercial subsidiaries.

Key Accounts: sales to large accounts (i.e. large optical chains/buying groups and brands' flagship stores). Key account sales generally have a lower gross margin than direct sales due to lower prices as a result of customers' higher negotiating power and larger volumes of sales per customer, however, this is offset by the fact that we generally pay minimal commissions on such sales and we incur lower distribution expenses as key accounts have their own distribution network and there is a higher concentration of sales per customer.

Other: mainly consists of sales of non-current collections sold at discount prices. We offer recognized brands at affordable prices to customers in selected markets. The markets are strategically selected so as not to jeopardize brand image in our core markets. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel.

The following tables set forth an analysis of net revenues by distribution channel for the periods indicated.

	For the year ended December 31,						For the twelve months ended September 30,	
	2013	**% of total**	**2014**	**% of total**	**2015**	**% of total**	**2016 (Unaudited)**	**% of total**
	(€ in thousands, except percentages)							
Net revenues								
Direct	129,716	61.1%	245,613	67.8%	293,756	67.6%	292,043	65.4%
Distributors and key accounts	75,824	35.7%	109,667	30.3%	133,958	30.8%	142,666	31.9%
Other	6,787	3.2%	6,853	1.9%	7,128	1.6%	11,904	2.7%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**434,842**	**100.0%**	**446,613**	**100.0%**

The proportion of net revenues generated from direct sales increased from 61.1% in 2013 to 67.8% in 2014, then decreased to 67.6% in 2015 and 65.4% for the twelve months ended September 30, 2016, while net revenues generated by distributors and key accounts decreased from 35.7% in 2013 to 30.3% in 2014, then increased to

30.8% in 2015 and 31.9% for the twelve months ended September 30, 2016. The overall increase in direct sales for the periods presented was primarily attributable to the Viva Acquisition, as the Viva Group had a higher proportion of direct sales on average than Marcolin prior to the acquisition, as well as the subsequent integration of Viva, which included a reorganization of the sales forces in several regions and the direct sales of certain Viva Group products that were previously sold through third-party distributors. The increase in net revenues from direct sales is also consistent with the Group's strategy to focus commercial efforts on the direct sales channel as it generally offers higher margins than the other sales channels.

Seasonality

Our business is affected by economic factors and seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of increased consumer demand in the spring and summer months. Such seasonality results in greater net revenues recorded in the first half of the year than the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from quarter to quarter, depending on the variability in the volumes and timing of sales of sunglasses, and correspondingly, the payment of royalties to licensors.

Trade Receivables

Payment agreements with our customers vary according to local laws and market practice. However, generally speaking, for large key accounts and for distributors, contracts require payments within specific periods, which can be between zero days (pre-payment) and 90 days, or in certain instances, depending on the jurisdiction, up to 120 days. For all other customers (independent opticians and small optical chains), payment terms are set by local laws and by our standard terms policy, which normally range from 30 to 120 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located. During the periods presented, we have introduced several initiatives with the aim of reducing the number of days sales outstanding, as a result of which our days sales outstanding (DSO) decreased by seven days for the nine months ended September 30, 2016 compared to the same period in 2015, and three days in 2015 compared to 2014.

Effects of Fluctuations in Foreign Currency Exchange Rates

We conduct our business and sell our products on a global basis in markets throughout the world. As a result, we are exposed to, and our results of operations may be significantly affected by, foreign currency exchange rate fluctuations. For example, our net revenues amounted to €335.1 million for the nine months ended September 30, 2016, an increase of €11.7 million, or 3.6%, compared to €323.4 million for the nine months ended September 30, 2015. On a constant currency basis, our net revenues would have been €339.5 million for the nine months ended September 30, 2016, representing an increase of €16.1 million, or 5.0%, Additionally, our net revenues amounted to €434.8 million for the year ended December 31, 2015, an increase of €72.7 million, or 20.1%, compared to €362.1 million for the year ended December 31, 2014. On a constant currency basis, our net revenues for 2015 would have been €402.1 million, representing an increase of €40.0 million, or 11.0%.

Our principal exposure is to fluctuations of the U.S. dollar, and we are also exposed to fluctuations of other currencies, including but not limited to the Brazilian real, the Great Britain pound and the Hong Kong dollar. For example, in 2015, we were affected by the depreciation of the Brazilian real against the euro.

Transaction risk: Our transaction foreign currency exchange risk relates to net revenues and costs generated in foreign currencies by our various operating companies, and in particular, primarily relates to U.S. dollar sales to customers, U.S. dollars purchases of materials, semi-finished and finished products from suppliers in Asia, and financial liabilities in foreign currencies. Although changes in foreign currency exchange rates could affect the amount of revenues or costs that we recognize, we believe that we have a natural hedge against transaction foreign currency risk (whereby the effects of revenues and costs in foreign currencies substantially offset each other). In the past, we entered into forward contracts for U.S. dollars for the purpose of partially hedging our exposure to foreign currency exchange rate risk from U.S. purchases, now however, as we believe that we have a natural hedge against transaction foreign currency risk, we did not have any open foreign currency derivative contracts as of September 30, 2016, and we currently do not expect to enter into foreign currency derivatives contracts in the future.

Translation risk: Our translation foreign currency exchange risk is primarily related to the recognition of net revenues and costs generated by subsidiaries with a functional currency different from the euro during our period-end consolidation and reporting. To prepare the consolidated financial statements of the Group, we translate assets and liabilities into euro at the exchange rates in force at the reporting date, and revenues, costs, income and expenses into euro at the average exchange rates for the reporting period. See "*Exchange Rate Information*". The Group's main subsidiaries with a functional currency different from the euro and are therefore translated into euro for financial reporting purposes are Marcolin USA, Marcolin UK and Marcolin do Brasil.

Constant Currency Information

The discussion in the results of operations section below includes net revenues information on a constant currency basis (although the figures provided in the tables are actual results and the discussion also includes actual figures). We use constant currency information to assess how the underlying business has performed independent of fluctuations in foreign currency exchange rates. We calculate constant currency by applying the prior-period average foreign currency exchange rates to the current-period financial data expressed in the original currency, in order to eliminate the impact of foreign currency exchange rate fluctuations (see "*Exchange Rate Information*") for information on the foreign currency exchange rates applied). Although we do not believe that these measures are a substitute for GAAP measures, we do believe that such results excluding the impact of foreign currency fluctuations provide additional useful information to investors regarding the operating performance on a local currency basis. For example, if a U.S. entity with U.S. dollar functional currency recorded net revenues of $100 million for 2015 and 2014, we would have reported €90.1 million in net revenues for 2015 (using the 2015 average exchange rate of 1.1096), representing a €14.9 million increase compared to €75.3 million reported for 2014 (using the 2014 average exchange rate of 1.3285). The constant currency presentation would translate the 2015 net revenues using the 2014 foreign currency exchange rates, and therefore indicate that the underlying net revenues on a constant currency basis was unchanged year-over-year.

Description of Key Line Items and Certain Key Performance Indicators

Net Revenues

Net revenues include the consideration received by the Group for the sale of sunglasses and prescription frames. Net revenues are recorded net of returns, discounts, allowances and bonuses. Net revenues are segmented by reference to the geographical area of the destination market, as described below:

- *Americas* relates to net revenues generated in North, Central and South America.
- *Europe*, which is subdivided into Italy and Rest of Europe.
  - *Italy* relates to net revenues generated in the Italian market.
  - *Rest of Europe* primarily relates to net revenues generated in Benelux (Belgium, Netherlands and Luxembourg), France, Germany, Portugal, Russia, Spain, Sweden (servicing Nordic Europe, which includes Denmark, Finland, Iceland, Norway and Sweden), Switzerland and the United Kingdom.
- *Asia* relates to net revenues generated in China, South Korea and the rest of the Asia Pacific region.
- *Rest of World* relates to all net revenues not generated in the above markets, and primarily includes the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

Starting in 2016, we present our net revenues by reference to the geographical area of the destination market, based on the geographic areas identified above. For example, all sales by the Issuer or a Subsidiary into Japan are attributed towards sales for the geographical area "Asia", regardless of which Group company initiated the sale. Prior to 2016, we presented net revenues based on the geography of the relevant parent or commercial subsidiary that generated the revenue, including to buyers located in a different geographical area. We believe that presenting net revenues based on the geographical area of the destination market provides better information for understanding the underlying trends and factors affecting our net revenues. As a result of such change, the information set out in the results of operations discussion below is based on the new segmentation in order to provide comparable information for all periods presented.

Cost of Sales

Cost of sales relate to the production costs incurred and the purchase of finished products for sale, including:

- *Purchases of materials and finished products:* costs of acquiring raw materials and components necessary to manufacture the collections that are produced in-house, the purchase of finished products

from our suppliers in China for resale and costs incurred in outsourcing parts and processes related to the manufacturing of our products. Purchases of materials and finished products are shown net of changes in inventories.

- *Personnel expenses:* costs for salaries and wages, social security contributions and employee severance indemnities of the workforce employed either directly or indirectly in our production activities.
- *Other costs:* primarily costs related to amortization and depreciation of assets used in production activities, as well as costs for transportation, customs and taxes on purchases.

Distribution and Marketing Expenses

Distribution and marketing expenses relate to costs incurred in marketing and selling our products to customers, including:

- *Royalties:* fees paid to licensors for the right to produce and distribute sunglasses and prescription frames using the licensor's brand. Royalties are either VRA or MAG.
- *Personnel expenses:* salaries and wages, social security contribution and employee severance indemnity of the workforce employed in our selling and marketing divisions. Personnel expenses also include commissions relating to fees paid to agents, who sell our products in countries in which we have a subsidiary presence. Such fees are usually calculated as a percentage of the sales transaction and can vary according to market and product line.
- *Advertising and public relations:* primarily relate to advertising materials and other costs incurred in marketing our products.
- *Other costs:* primarily relate to costs for transportation, rent, business travel and entertainment, and to a lesser extent, amortization and depreciation of assets used in our selling and marketing activities.

General and Administrative Expenses

General and administrative expenses include expenses incurred in conducting the general business and administrative operations of the Group. Such expenses primarily include personnel expenses such as salaries and wages, social security contributions and employee severance indemnities of personnel employed in our general and administrative divisions, as well as other costs, including director's fees, audit fees, IT expenses, and general and administrative consulting expenses. General and administrative expenses also include amortization and depreciation related to assets used in our general and administrative divisions, and the expense related to the bad debt provision.

Operating Income and Expenses

Operating income and expenses consist of:

- *Other operating income:* primarily includes prior period adjustments, reimbursed costs (i.e. shipping, advertising, insurance) and the release of provisions previously recognized.
- *Other operating expenses:* primarily include other miscellaneous expenses, such as early termination fees.

Financial Income and Cost

Financial income and cost consists of:

- *Financial income:* primarily includes foreign currency exchange gains (including on intercompany loans), interest on cash deposits and fair value gains on derivative financial instruments.
- *Financial costs:* primarily include interest expenses on borrowings, foreign currency exchange losses (including on intercompany loans), and fair value losses on derivative financial instruments.

Income Tax Expense

Income tax expense comprises current and deferred income tax expense or benefit.

Other Ratios and Measures

We also use certain additional key performance indicators (such as EBITDA and Adjusted EBITDA), which in our view provide an alternative measure with which to monitor our economic, financial and operating performance. These measures are not indicative of historical operating results, nor are they meant to be predictive of future results. These measures are used to monitor the underlying performance of the Group and its business and operations. Not all companies calculate these measures in an identical manner and therefore our presentation may not be consistent with similar measures used by other companies. See "*Presentation of Financial Information and Other Data*."

Results of Operations

Comparison of Nine Months Ended September 30, 2015 with Nine Months Ended September 30, 2016

The following is a discussion of the results of operations for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The discussion includes a presentation of certain line items as a percentage of net revenues for the respective periods presented to facilitate period-over-period comparisons.

The following tables set forth an analysis of our income statement for the periods indicated.

Net Revenues

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
Net revenues	323,371	100.0%	335,142	100.0%	11,771	3.6%
Cost of sales	(133,525)	(41.3%)	(141,983)	(42.4%)	(8,458)	6.3%
Gross profit	**189,846**	**58.7%**	**193,159**	**57.6%**	**3,313**	**1.7%**
Distribution and marketing expenses	(150,419)	(46.5%)	(148,429)	(44.3%)	1,990	(1.3%)
General and administrative expenses	(25,443)	(7.9%)	(22,929)	(6.8%)	2,514	(9.9%)
Other operating income	3,166	1.0%	1,346	0.4%	(1,820)	(57.5%)
Other operating expenses	(99)	(0.0%)	(55)	(0.0%)	44	(44.4%)
Operating income—EBIT	**17,051**	**5.3%**	**23,092**	**6.9%**	**6,041**	**35.4%**
Financial income	14,170	4.4%	12,829	3.8%	(1,341)	(9.5%)
Financial costs	(31,726)	(9.8%)	(27,330)	(8.2%)	4,396	(13.9%)
(Loss)/Profit before taxes	**(505)**	**(0.2%)**	**8,591**	**2.6%**	**9,096**	**n.a.**
Income tax expense	(5,291)	(1.6%)	(3,648)	(1.1%)	1,643	(31.1%)
Net (loss)/profit for the period	**(5,796)**	**(1.8%)**	**4,943**	**1.5%**	**10,739**	**n.a.**

Net revenues amounted to €335.1 million for the nine months ended September 30, 2016, an increase of €11.7 million, or 3.6% (€16.1 million increase, or 5.0%, on a constant currency basis), compared to €323.4 million for the nine months ended September 30, 2015.

Sales volumes were substantially unchanged, amounting to 10.7 million frames for the nine months ended September 30, 2015 and 10.8 million frames for the nine months ended September 30, 2016. The increase in net revenues was primarily attributable to an increase in net revenues generated by luxury brands as discussed below.

The following tables set forth an analysis of net revenues by product type, brand type and geographic segment for the periods indicated.

Net revenues by brand type	For the nine months ended September 30,				Change	
	2015	% of total	2016	% of total	€	%
	(€ in thousands, except percentages)					
Luxury brands	152,553	47.2%	169,937	50.7%	17,384	11.4%
Diffusion brands	170,818	52.8%	165,205	49.3%	(5,613)	(3.3%)
Total	**323,371**	**100.0%**	**335,142**	**100.0%**	**11,771**	**3.6%**

Net revenues from luxury brands increased by €17.4 million, or 11.4% (12.7% increase on a constant currency basis), driven by the strong performance of the Tom Ford and Roberto Cavalli brands, as well as Emilio Pucci and Omega (which started generating revenues in 2015 and 2016, respectively), reflecting our strategic focus on the luxury brands market. Despite strong performance from the Gant and Swarovski brands, as well as our proprietary brand Web, net revenues from diffusion brands decreased by €5.6 million, or 3.3% (2.0% decrease on a constant currency basis), primarily related to the Americas, which experienced a decrease in net revenues from retail department stores, as well as direct optical sales in the US, primarily related to market conditions.

Net revenues by product type	**For the nine months ended September 30,**				**Change**	
	2015	**% of total**	**2016**	**% of total**	**€**	**%**
	(€ in thousands, except percentages)					
Sunglasses	162,551	50.3%	164,693	49.1%	2,142	1.3%
Prescription frames	160,820	49.7%	170,449	50.9%	9,629	6.0%
Total	**323,371**	**100.0%**	**335,142**	**100.0%**	**11,771**	**3.6%**

Net revenues from sunglasses and prescription frames increased by €2.1 million and €9.6 million, or 1.3% and 6.0% (increases of 2.5% and 7.5% on a constant currency basis), respectively, which reflects our strategic focus on increasing prescription frames sales during the period.

Net revenues by geographic segment	**For the nine months ended September 30,**				**Change**	
	2015	**% of net revenues**	**2016**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Americas	160,694	49.7%	146,345	43.7%	(14,349)	(8.9%)
Europe	99,894	30.9%	121,144	36.1%	21,250	21.3%
Italy	*18,845*	*5.8%*	*23,167*	*6.9%*	*4,322*	*22.9%*
Rest of Europe	*81,049*	*25.1%*	*97,977*	*29.2%*	*16,928*	*20.9%*
Asia	27,649	8.6%	26,493	7.9%	(1,156)	(4.2%)
Rest of World	35,134	10.8%	41,160	12.3%	6,026	17.2%
Total	**323,371**	**100.0%**	**335,142**	**100.0%**	**11,771**	**3.6%**

Americas

Net revenues from the Americas amounted to €146.3 million for the nine months ended September 30, 2016, a decrease of €14.4 million, or 8.9% (7.9% decrease on a constant currency basis), compared to €160.7 million for the nine months ended September 30, 2015, and was driven by the United States, our single biggest market. The decrease was primarily attributable to a decrease in net revenues from diffusion brands of 14.2%, due to decreases in net revenues from retail department stores and direct optical sales, partially offset by an increase in net revenues from luxury brands of 1.1%.

Italy

Net revenues from Italy amounted to €23.2 million for the nine months ended September 30, 2016, an increase of €4.4 million, or 22.9%, compared to €18.8 million for the nine months ended September 30, 2015. The increase in Italy was due to both luxury and diffusion brands. In particular, net revenues from luxury brands increased by 27.6%, driven by Tom Ford and DSquared2, and net revenues from diffusion brands increased by 16.9%, driven by Guess, Swarovski and Web.

Rest of Europe

Net revenues from the Rest of Europe amounted to €98.0 million for the nine months ended September 30, 2016, an increase of €17.0 million, or 20.9% (23.8% increase on a constant currency basis, mainly driven by the British pound and the Russian ruble), compared to €81.0 million for the nine months ended September 30, 2015. Net revenues from luxury brands increased by 25.0%, driven by Tom Ford, and net revenues from diffusion brands increased by 16.7%, driven by Swarovski, Guess and Gant. Geographically, the increase was driven by France, Germany and Spain, which benefitted from a restructuring of the sales force in their respective regions, as well as the performance of new joint ventures formed in Russia and Nordic Europe.

Asia

Net revenues from Asia amounted to €26.5 million for the nine months ended September 30, 2016, a decrease of €1.1 million, or 4.2% (3.7% decrease on a constant currency basis), compared to €27.6 million for the nine months ended September 30, 2015. The decrease was primarily attributable to a decrease in net revenues in the China and South Korea markets, driven by market conditions.

Rest of World

Net revenues from Rest of World amounted to €41.2 million for the nine months ended September 30, 2016, an increase of €6.1 million, or 17.2% (17.5% increase on a constant currency basis), compared to €35.1 million for the nine months ended September 30, 2015. Net revenues from luxury brands increased by 16.4%, driven by Tom Ford, Roberto Cavalli and the Omega supply agreement entered into in 2016, and net revenues from diffusion brands increased by 18.9%, driven by Guess and Gant. Geographically, the increase was driven by the performance of the Mediterranean area and Africa.

Cost of Sales

The following table sets forth an analysis of cost of sales for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	**% of net revenues**	**2016**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Materials and finished products	116,989	36.2%	130,480	38.9%	13,491	11.5%
Personnel expenses	11,212	3.5%	7,755	2.3%	(3,457)	(30.8%)
Other costs	5,324	1.6%	3,748	1.1%	(1,576)	(29.6%)
Total	**133,525**	**41.3%**	**141,983**	**42.4%**	**8,458**	**6.3%**

Cost of sales amounted to €142.0 million for the nine months ended September 30, 2016, an increase of €8.5 million, or 6.3%, compared to €133.5 million for the nine months ended September 30, 2015. As a percentage of net revenues, cost of sales increased from 41.3% for the nine months ended September 30, 2015 to 42.4% for the nine months ended September 30, 2016. The increase is primarily attributable to changes in sales mix with respect to both destination markets and distribution channels.

The €8.5 million increase in cost of sales was attributable to the combined effect of the following:

- *Materials and finished products* amounted to €130.5 million for the nine months ended September 30, 2016, an increase of €13.5 million, or 11.5%, compared to €117.0 million for the nine months ended September 30, 2015. As a percentage of net revenues, materials and finished products increased from 36.2% to 38.9%, driven by changes in sales mix with respect to both distribution channels and destination markets.
- *Personnel expenses* amounted to €7.8 million for the nine months ended September 30, 2016, a decrease of €3.4 million, or 30.8%, compared to €11.2 million for the nine months ended September 30, 2015. As a percentage of net revenues, personnel expenses decreased from 3.5% to 2.3%, reflecting operational synergies, including from the reorganization of our distribution operations in 2015, primarily in the US, Brazil and Italy.
- *Other costs* amounted to €3.7 million for the nine months ended September 30, 2016, a decrease of €1.6 million, or 29.6%, compared to €5.3 million for the nine months ended September 30, 2015. As a percentage of net revenues, other costs decreased from 1.6% to 1.1%. In both periods, other costs primarily relate to transport and customs charges, and to a lesser extent, depreciation and amortization of assets associated with production activities.

Gross Profit

The following table sets forth an analysis of gross profit for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
Net revenues	323,371	100.0%	335,142	100.0%	11,771	3.6%
Cost of sales	133,525	41.3%	141,983	42.4%	8,458	6.3%
Gross profit	**189,846**	**58.7%**	**193,159**	**57.6%**	**3,313**	**1.7%**

Gross profit amounted to €193.2 million for the nine months ended September 30, 2016, an increase of €3.4 million, or 1.7%, compared to €189.8 million for the nine months ended September 30, 2015, primarily as a result of the factors described above. As a percentage of net revenues, gross profit decreased from 58.7% for the nine months ended September 30, 2015 to 57.6% for the nine months ended September 30, 2016.

Distribution and Marketing Expenses

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
Royalties	40,699	12.6%	41,617	12.4%	918	2.3%
of which VRA	*34,737*	*10.7%*	*36,837*	*11.0%*	*2,100*	*6.0%*
of which MAG	*5,962*	*1.9%*	*4,780*	*1.4%*	*(1,182)*	*(19.8%)*
Personnel expenses	59,651	18.4%	55,276	16.5%	(4,375)	(7.3%)
Advertising and public relations	23,067	7.1%	24,211	7.2%	1,144	5.0%
Other costs	27,002	8.4%	27,325	8.2%	323	1.2%
Total	**150,419**	**46.5%**	**148,429**	**44.3%**	**(1,990)**	**(1.3%)**

Distribution and marketing expenses amounted to €148.4 million for the nine months ended September 30, 2016, a decrease of €2.0 million, or 1.3%, compared to €150.4 million for the nine months ended September 30, 2015. As a percentage of net revenues, distribution and marketing expenses decreased from 46.5% for the nine months ended September 30, 2015 to 44.3% for the nine months ended September 30, 2016.

The €2.0 million decrease in distribution and marketing expenses was attributable to the combined effect of the following:

- *Royalties* amounted to €41.6 million for the nine months ended September 30, 2016, an increase of €0.9 million, or 2.3%, compared to €40.7 million for the nine months ended September 30, 2015. As a percentage of net revenues, royalties decreased from 12.6% to 12.4%, driven by a decrease in the MAG royalties directly related to the increase in sales that supported the minimum sales volumes required in license contracts.
- *Personnel expenses* amounted to €55.3 million for the nine months ended September 30, 2016, a decrease of €4.4 million, or 7.3%, compared to €59.7 million for the nine months ended September 30, 2015. As a percentage of net revenues, personnel expenses decreased from 18.4% to 16.5%, driven by synergies realized from the integration of the Viva Group (completed in 2015), the restructuring of shared services, and non-recurring costs incurred in 2015 that were primarily related to the integration of the Viva Group and plant and office closures.
- *Advertising and public relations* amounted to €24.2 million for the nine months ended September 30, 2016, an increase of €1.1 million, or 5.0%, compared to €23.1 million for the nine months ended September 30, 2015. As a percentage of net revenues, advertising and public relations increased from 7.1% to 7.2%.
- *Other costs* amounted to €27.3 million for the nine months ended September 30, 2016, an increase of €0.3 million, or 1.2%, compared to €27.0 million for the nine months ended September 30, 2015. As a percentage of net revenues, other costs decreased from 8.4% to 8.2%. Other costs primarily included costs for shipping, rent, business travel and services.

General and Administrative Expenses

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
General and administrative expenses	25,443	7.9%	22,929	6.8%	(2,514)	(9.9%)

General and administrative expenses amounted to €22.9 million for the nine months ended September 30, 2016, a decrease of €2.5 million, or 9.9%, from €25.4 million for the nine months ended September 30, 2015. As a percentage of net revenues, general and administrative expenses decreased from 7.9% to 6.8%. The decrease was mainly driven by synergies from the integration of the Viva Group and actions to improve efficiencies and cost control, such as a reduction in corporate and executive costs, as well as a decrease in non-recurring costs that were primarily related to the integration of the Viva Group and plant and office closures.

Operating Income and Expenses

The following table sets forth an analysis of operating income and expenses for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
Other operating income	3,166	1.0%	1,346	0.4%	(1,820)	(57.5%)
Other operating expenses	(99)	n.m.	(55)	n.m.	44	(44.4%)
Net other operating income	**3,067**	**1.0%**	**1,291**	**0.4%**	**(1,776)**	**(57.9%)**

Net other operating income was €1.3 million for the nine months ended September 30, 2016, a decrease of €1.8 million compared to net other operating income of €3.1 million for the nine months ended September 30, 2015. As a percentage of net revenues, net other operating income was 1.0% and 0.4% for the nine months ended September 30, 2015 and 2016, respectively. Other operating income and expenses primarily included prior period adjustments, reimbursed costs (i.e. shipping, advertising, insurance) and other miscellaneous income and expenses.

Financial Income and Costs

The following table sets forth an analysis of financial income and costs for the periods indicated.

	For the nine months ended September 30,				Change	
	2015	% of net revenues	2016	% of net revenues	€	%
	(€ in thousands, except percentages)					
Financial income	14,170	4.4%	12,829	3.8%	(1,341)	(9.5%)
Financial costs	(31,726)	(9.8%)	(27,330)	(8.2%)	4,396	(13.9%)
Financial income and costs	**(17,556)**	**(5.4%)**	**(14,501)**	**(4.3%)**	**3,055**	**(17.4%)**

Financial income and costs amounted to €14.5 million for the nine months ended September 30, 2016, a decrease of €3.1 million, compared to financial income and costs of €17.6 million for the nine months ended September 30, 2015. As a percentage of net revenues, financial income and costs were 5.4% and 4.3% for the nine months ended September 30, 2015 and 2016, respectively. Financial income and costs primarily related to interest of €12.8 million on the Existing 2019 Notes for both the nine months ended September 30, 2015 and 2016. The decrease in financial income and costs was mainly related to an increase in both realized and unrealized net foreign currency exchange gains, which were primarily driven by movements in the U.S. dollar and Brazilian real. In particular, net foreign currency exchange gains were €3.6 million for the nine months ended September 30, 2016 compared to net foreign currency exchange losses of €0.5 million for the nine months ended September 30, 2015. Financial income and costs also included interest on bank loans, financial discounts granted to customers and other finance costs and discounts.

Income Tax Expense

The following table sets forth an analysis of income tax expense for the periods indicated.

	For the nine months ended September 30,	
	2015	**2016**
	(€ in thousands, except percentages)	
Income tax expense	5,291	3,648

Income tax expense amounted to €3.6 million for the nine months ended September 30, 2016 compared to €5.3 million for nine months ended September 30, 2015. Non-deductible expenses significantly affected income tax expense for the nine months ended September 30, 2015, and to a lesser extent affected income tax expenses for the nine months ended September 30, 2016.

Group Comparison of the Years Ended December 31, 2014 and 2015

The following is a discussion of the results of operations for the year ended December 31, 2015 as compared to the year ended December 31, 2014. The discussion includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate year-over-year comparisons.

The following tables set forth an analysis of our income statement for the periods indicated.

	For the year ended December 31,				Change	
	2014	**% of net revenues**	**2015**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Net revenues	362,133	100.0%	434,842	100.0%	72,709	20.1%
Cost of sales	(145,360)	(40.1%)	(178,981)	(41.2%)	(33,621)	23.1%
Gross profit	**216,773**	**59.9%**	**255,861**	**58.8%**	**39,088**	**18.0%**
Distribution and marketing expenses	(169,250)	(46.7%)	(199,598)	(45.9%)	(30,348)	17.9%
General and administrative expenses	(31,711)	(8.8%)	(32,013)	(7.4%)	(302)	1.0%
Other operating income	5,134	1.4%	4,319	1.0%	(815)	(15.9%)
Other operating expenses	(1,014)	(0.3%)	(452)	(0.1%)	562	(55.4%)
Operating income—EBIT	**19,932**	**5.5%**	**28,117**	**6.5%**	**8,185**	**41.1%**
Financial income	18,203	5.0%	20,347	4.7%	2,144	11.8%
Financial costs	(31,033)	(8.6%)	(40,895)	(9.4%)	(9,862)	31.8%
Profit before taxes	**7,102**	**2.0%**	**7,569**	**1.7%**	**467**	**6.6%**
Income tax expense	(6,695)	(1.8%)	(10,082)	(2.3%)	(3,387)	50.6%
Net profit/(loss) for the year	**407**	**0.1%**	**(2,513)**	**(0.6%)**	**(2,920)**	**n.a.**

Net Revenues

Net revenues amounted to €434.8 million for the year ended December 31, 2015, an increase of €72.7 million, or 20.1% (increase of €40.0 million, or 11.0%, on a constant currency basis), compared to €362.1 million for the year ended December 31, 2014.

Sales volumes increased from 13.8 million frames for the year ended December 31, 2014 to 14.0 million frames for the year ended December 31, 2015.

The following tables set forth an analysis of our net revenues by product type, brand type and geographical segment for the periods indicated.

Net revenues by brand type	For the year ended December 31,				Change	
	2014	**% of total**	**2015**	**% of total**	**€**	**%**
	(€ in thousands, except percentages)					
Luxury brands	159,053	43.9%	204,254	47.0%	45,201	28.4%
Diffusion brands	203,080	56.1%	230,588	53.0%	27,508	13.5%
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,709**	**20.1%**

Net revenues from luxury brands increased by €45.2 million, or 28.4% (21.6% increase on a constant currency basis), driven by strong performance of the Tom Ford, Montblanc and Balenciaga brands, as well as the Ermenegildo Zegna brand, which was added to our portfolio in 2015. Net revenues from diffusion brands increased by €27.5 million, or 13.5% (2.8% increase on a constant currency basis), driven by the Guess, Swarovski, Gant and Timberland brands.

Net revenues by product type	For the year ended December 31,				Change	
	2014	% of total	2015	% of total	€	%
	(€ in thousands, except percentages)					
Sunglasses	177,466	49.0%	215,088	49.5%	37,622	21.2%
Prescription frames	184,667	51.0%	219,754	50.5%	35,087	19.0%
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,709**	**20.1%**

Net revenues from sunglasses and prescription frames increased by €37.6 million and €35.1 million, or 21.2% and 19.0% (increases of 12.8% and 9.4% on a constant currency basis), respectively, driven by the completion of the Viva integration and commercial activities realized by the Group in 2014 and 2015 to increase sales.

Net revenues by geographic segment	For the year ended December 31,				Change	
	2014	% of net revenues	2015	% of net revenues	€	%
	(€ in thousands, except percentages)					
Americas	173,218	47.8%	210,736	48.5%	37,518	21.7%
Europe	121,359	33.6%	138,553	31.9%	17,194	14.2%
Italy	*21,223*	*5.9%*	*26,555*	*6.1%*	*5,332*	*25.1%*
Rest of Europe	*100,136*	*27.7%*	*111,998*	*25.8%*	*11,862*	*11.8%*
Asia	28,137	7.8%	38,573	8.9%	10,436	37.1%
Rest of World	39,419	10.8%	46,980	10.7%	7,561	19.2%
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,709**	**20.1%**

Americas

Net revenues from the Americas amounted to €210.7 million for the year ended December 31, 2015, an increase of €37.5 million, or 21.7% (4.4% increase on a constant currency basis), compared to €173.2 million for the year ended December 31, 2014, and was driven by the United States, our single largest market. The increase in net revenues was attributable to both luxury and diffusion brands, which increased by 42.6% and 12.7%, respectively. The increase in net revenues was driven by the effects of increased sales to retail department stores and independent opticians, as well as positive foreign currency exchange impact (as a result of the U.S. dollar strengthening versus the euro). These effects were partially offset by some distribution disruptions experienced in April and May 2015, due to the scale and complexity of the relocation of the distribution center from Arizona to New Jersey.

Italy

Net revenues from Italy amounted to €26.6 million for the year ended December 31, 2015, an increase of €5.4 million, or 25.1%, compared to €21.2 million for the year ended December 31, 2014. The increase in Italy was due to both luxury and diffusion brands. In particular, net revenues from luxury brands increased by 26.6%, driven by Tom Ford, DSquared2 and Montblanc, and net revenues from diffusion brands increased by 23.3%, driven by Guess, Swarovski and our proprietary brand Web.

Rest of Europe

Net revenues from Rest of Europe amounted to €112.0 million for the year ended December 31, 2015, an increase of €11.9 million, or 11.8% (9.4% increase on a constant currency basis), compared to €100.1 million for the year ended December 31, 2014. Net revenues from luxury brands increased by 9.3%, driven by Tom Ford, and net revenues from diffusion brands increased by 14.4%, driven by Swarovski, Timberland and Web. The increase in net revenues was primarily attributable to an increase in direct sales through new joint ventures formed in Russia and Nordic Europe as well as the sale of Viva products that were previously sold through third-party distributors. Geographically, the increase in net revenues was also driven by the UK, Spain, Portugal and Benelux (Belgium, Netherlands and Luxembourg).

Asia

Net revenues from Asia amounted to €38.6 million for the year ended December 31, 2015, an increase of €10.5 million, or 37.1% (37.4% increase on a constant currency basis), compared to €28.1 million for the year ended December 31, 2014. The increase in net revenues was attributable to both luxury and diffusion brands, which increased by 38.8% and 32.1%, respectively. The increase was driven by China, which benefitted from the performance of a new joint venture formed at the end of 2014, and South Korea.

Rest of World

Net revenues from Rest of World amounted to €47.0 million for the year ended December 31, 2015, an increase of €7.6 million, or 19.2% (18.0% increase on a constant currency basis), compared to €39.4 million for the year ended December 31, 2014. The increase in net revenues was primarily attributable to luxury brands, which increased by 29.3%, and to a lesser extent, diffusion brands, which increased by 2.8%. Geographically, the increase in net revenues was driven by the Middle East.

Cost of Sales

The following table sets forth an analysis of cost of sales for the periods indicated.

	For the year ended December 31,				Change	
	2014	**% of net revenues**	**2015**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Materials and finished products	110,748	30.6%	140,341	32.3%	29,593	26.7%
Personnel expenses	19,480	5.4%	20,246	4.7%	766	3.9%
Other costs	15,132	4.2%	18,394	4.2%	3,262	21.6%
Total	**145,360**	**40.1%**	**178,981**	**41.2%**	**33,621**	**23.1%**

Cost of sales amounted to €179.0 million for the year ended December 31, 2015, an increase of €33.6 million, or 23.1%, compared to €145.4 million for the year ended December 31, 2014. As a percentage of net revenues, cost of sales increased from 40.1% for the year ended December 31, 2014 to 41.2% for the year ended December 31, 2015. The increase in cost of sales as a percentage of net revenues was primarily attributable to the strengthening of the U.S. dollar versus the euro, which had a greater effect on purchases than sales during the year and a change in product mix, including the effect of repositioning certain product lines to specific market segments in the second half of 2015, partially offset by favorable brand mix, mainly due to the introduction of the new luxury brands Ermenegildo Zegna and Emilio Pucci, and increased overall volumes resulting in a greater absorption of fixed costs.

The €33.6 million increase in the cost of sales is attributable to the combined effect of the following:

- *Materials and finished products* amounted to €140.3 million for the year ended December 31, 2015, an increase of €29.6 million, or 26.7%, compared to €110.7 million for the year ended December 31, 2014. As a percentage of net revenues, materials and finished products increased from 30.6% to 32.3%, driven by the previously mentioned effects.
- *Personnel expenses* amounted to €20.2 million for the year ended December 31, 2015, an increase of €0.7 million, or 3.9%, compared to €19.5 million for the year ended December 31, 2014. As a percentage of net revenues, personnel expenses decreased from 5.4% in 2014 to 4.7% in 2015, reflecting operational synergies realized, including the consolidation of warehouse facilities and logistics operations in 2015.
- *Other costs* amounted to €18.4 million for the year ended December 31, 2015, an increase of €3.3 million, or 21.6%, compared to €15.1 million for the year ended December 31, 2014. As a percentage of net revenues, other costs were 4.2% for both 2014 and 2015.

Gross Profit

The following table sets forth an analysis of gross profit for the periods indicated.

	For the year ended December 31,				Change	
	2014	% of net revenues	2015	% of net revenues	€	%
	(€ in thousands, except percentages)					
Net revenues	362,133	100.0%	434,842	100.0%	72,709	20.1%
Cost of sales	145,360	40.1%	178,981	41.2%	33,621	23.1%
Gross profit	**216,773**	**59.9%**	**255,861**	**58.8%**	**39,088**	**18.0%**

Gross profit amounted to €255.9 million for the year ended December 31, 2015, an increase of €39.1 million, or 18.0%, compared to €216.8 million for the year ended December 31, 2014, primarily as a result of the factors described above. As a percentage of net revenues, gross profit decreased from 59.9% for the year ended December 31, 2014 to 58.8% for the year ended December 31, 2015.

Distribution and Marketing Expenses

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

	For the year ended December 31,				Change	
	2014	% of net revenues	2015	% of net revenues	€	%
	(€ in thousands, except percentages)					
Royalties	44,391	12.3%	53,616	12.3%	9,225	20.8%
of which VRA	*38,063*	*10.5%*	*45,492*	*10.4%*	*7,429*	*19.5%*
of which MAG	*6,328*	*1.8%*	*8,124*	*1.9%*	*1,796*	*28.4%*
Personnel expenses	68,983	19.0%	74,222	17.1%	5,239	7.6%
Advertising and public relations	23,845	6.6%	31,318	7.2%	7,473	31.3%
Other costs	32,031	8.8%	40,442	9.3%	8,411	26.3%
Total	**169,250**	**46.7%**	**199,598**	**45.9%**	**30,348**	**17.9%**

Distribution and marketing expenses amounted to €199.6 million for the year ended December 31, 2015, an increase of €30.3 million, or 17.9%, compared to €169.3 million for the year ended December 31, 2014. As a percentage of net revenues, distribution and marketing expenses decreased from 46.7% for the year ended December 31, 2014 to 45.9% for the year ended December 31, 2015.

The €30.3 million increase in distribution and marketing expenses is attributable to the combined effect of the following:

- *Royalties* amounted to €53.6 million for the year ended December 31, 2015, an increase of €9.2 million, or 20.8%, compared to €44.4 million for the year ended December 31, 2014. The increase, which consisted of increases in both VRA and MAG royalties, is consistent with the increase in net revenues. As a percentage of net revenues, royalties were 12.3% for both 2015 and 2014.
- *Personnel expenses* amounted to €74.2 million for the year ended December 31, 2015, an increase of €5.2 million, or 7.6%, compared to €69.0 million for the year ended December 31, 2014. Personnel expenses included non-recurring costs of €4.9 million in 2014 and €5.4 million in 2015, primarily related to the Viva integration. Excluding such non-recurring costs, personnel expenses as a percentage of net revenues decreased from 17.7% in 2014 to 15.8% in 2015, driven by synergies realized from the Viva integration, partially offset by negative foreign currency exchange impact, driven by the U.S. dollar and Brazilian real.
- *Advertising and public relations* amounted to €31.3 million for the year ended December 31, 2015, an increase of €7.5 million, or 31.3%, compared to €23.8 million for the year ended December 31, 2014. As a percentage of net revenues, advertising and public relations increased from 6.6% in 2014 to 7.2% in 2015. The increase was primarily attributable to an increase in corporate advertising and public relations activities, driven by the promotion of our proprietary brands and in particular, our Web brand.
- *Other costs* amounted to €40.4 million for the year ended December 31, 2015, an increase of €8.4 million, or 26.3%, compared to €32.0 million for the year ended December 31, 2014. Other costs

included non-recurring costs of €2.1 million in 2014 and €1.6 million in 2015, primarily related to the Viva integration. Excluding such non-recurring costs, other costs as a percentage of net revenues increased from 8.3% in 2014 to 8.9% in 2015. The increase is primarily attributable to negative foreign currency exchange impact, driven by the U.S. dollar and Brazilian real.

General and Administrative Expenses

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

	For the year ended December 31,				Change	
	2014	**% of net revenues**	**2015**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
General and administrative expenses	31,711	8.8%	32,013	7.4%	302	1.0%

General and administrative expenses amounted to €32.0 million for the year ended December 31, 2015, an increase of €0.3 million, or 1.0%, compared to €31.7 million for the year ended December 31, 2014. General and administrative expenses included non-recurring costs of €3.7 million in 2014 and €3.3 million in 2015, primarily related to the Viva integration. Excluding such non-recurring costs, general and administrative expenses as a percentage of net revenues decreased from 7.7% in 2014 to 6.6% in 2015. The decrease was driven by synergies from the integration of the Viva Group and actions to improve efficiencies and cost control, including the closure of the Arizona plant in the United States.

Operating Income and Expenses

The following table sets forth an analysis of operating income and expenses for the periods indicated.

	For the year ended December 31,				Change	
	2014	**% of net revenues**	**2015**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Other operating income	5,134	1.4%	4,319	1.0%	(815)	(15.9%)
Other operating expenses	(1,014)	(0.3%)	(452)	(0.1%)	562	(55.4%)
Net other operating income	**4,120**	**1.1%**	**3,867**	**0.9%**	**(253)**	**(6.1%)**

Net other operating income was €3.9 million for the year ended December 31, 2015, a decrease of €0.2 million, or 6.1%, compared to net other operating income of €4.1 million for the year ended December 31, 2014. As a percentage of net revenues, net other operating income was 1.1% and 0.9% for 2014 and 2015, respectively. Other operating income and expenses primarily included prior period adjustments, reimbursed costs (i.e. shipping, advertising, insurance) and other miscellaneous income and expenses.

Financial Income and Costs

The following table sets forth an analysis of financial income and costs for the periods indicated.

	For the year ended December 31,				Change	
	2014	**% of net revenues**	**2015**	**% of net revenues**	**€**	**%**
	(€ in thousands, except percentages)					
Financial income	18,203	5.0%	20,347	4.7%	2,144	11.8%
Financial costs	(31,033)	(8.6%)	(40,895)	(9.4%)	(9,862)	31.8%
Financial income and costs	**(12,830)**	**(3.5%)**	**(20,548)**	**(4.7%)**	**(7,718)**	**60.2%**

Financial income and costs amounted to €20.5 million for the year ended December 31, 2015, a decrease of €7.7 million, of 60.2%, as compared to financial income and costs of €12.8 million for the year ended December 31, 2014. Financial income and costs included interest of €17.0 million on the Existing 2019 Notes for the years ended December 31, 2014 and 2015. The increase in financial income and costs was mainly related to a decrease in net foreign currency exchange gains, which were primarily driven by payments to suppliers in U.S. dollars and unrealized losses from the devaluation of the Brazilian real. In particular, net foreign currency exchange gains were €2.5 million for the year ended December 31, 2015 compared to net foreign currency exchange gains of €9.5 million for the year ended December 31, 2014. Financial income and costs also included interest charges on bank loans, financial discounts granted to customers and other finance costs and discounts.

Income Tax Expense

	For the year ended December 31,	
	2014	2015
	(€ in thousands, except percentages)	
Income tax expense	6,695	10,082

Income tax expense amounted to €10.1 million for the year ended December 31, 2015 compared to €6.7 million for year ended December 31, 2014. Income tax expense for the year ended December 31, 2014 and 2015 was effected by non-deductible expenses.

Group Comparison of the Years Ended December 31, 2013 and 2014

The following is a discussion of the results of operations for the year ended December 31, 2014 as compared to the year ended December 31, 2013. The discussion includes a presentation of such line items as a percentage of net revenues for the respective periods presented, to facilitate year-over-year comparisons.

The Viva Group was consolidated from December 3, 2013, which is the date the Viva Acquisition was completed. As a result, our results of operations for the years ended December 31, 2013 and 2014 are not directly comparable. Therefore, the following discussion includes an analysis excluding the effect of the consolidation of the Viva Group to allow for a more meaningful comparison of the results of operations without the Viva Group companies. However, the analysis of the Marcolin Group entities excluding the consolidation of the Viva Group is affected by certain Viva integration activities performed in 2014. For example, in 2014 certain Marcolin Group entities generated net revenues from Viva brands and certain Viva operations were integrated into Marcolin Group entities. In addition, as discussed below, the results of operations of the Marcolin Group in 2014 were impacted by certain non-recurring costs in relation to the integration of the Viva Group.

The following tables set forth an analysis of our income statement for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Net revenues	212,327	100.0%	362,133	100.0%	149,806	70.6%
Cost of sales	(81,883)	(38.6%)	(145,360)	(40.1%)	(63,477)	77.5%
Gross profit	**130,444**	**61.4%**	**216,773**	**59.9%**	**86,329**	**66.2%**
Distribution and marketing expenses	(101,688)	(47.9%)	(169,250)	(46.7%)	(67,562)	66.4%
General and administrative expenses	(20,707)	(9.8%)	(31,711)	(8.8%)	(11,004)	53.1%
Other operating income	3,342	1.6%	5,134	1.4%	1,792	53.6%
Other operating expenses	(1,432)	(0.7%)	(1,014)	(0.3%)	418	(29.2%)
Operating income—EBIT	**9,959**	**4.7%**	**19,932**	**5.5%**	**9,973**	**100.1%**
Financial income	2,886	1.4%	18,203	5.0%	15,317	n.a.
Financial costs	(24,655)	(11.6%)	(31,033)	(8.6%)	(6,378)	25.9%
(Loss)/Profit before taxes	**(11,810)**	**(5.6%)**	**7,102**	**2.0%**	**18,912**	**n.a.**
Income tax expense	(201)	(0.1%)	(6,695)	(1.8%)	(6,494)	n.a.
Net (loss)/profit for the year	**(12,011)**	**(5.7%)**	**407**	**0.1%**	**12,418**	**(103.4%)**

Net Revenues

Net revenues amounted to €362.1 million for the year ended December 31, 2014, an increase of €149.8 million, or 70.6% (€150.7 million increase, or 71.0%, on a constant currency basis), compared to €212.3 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €125.1 million, net revenues increased by €24.7 million.

Sales volumes increased by 8.1 million frames, from 5.8 million frames for the year ended December 31, 2013 to 13.9 million frames for the year ended December 31, 2014, of which 7.4 million frames related to Viva brands.

The following tables set forth an analysis of our net revenues by product type, brand type and geographical segment for the periods indicated.

Net revenues by brand type	For the year ended December 31,				Change	
	2013	% of total	2014	% of total	€	%
	(€ in thousands, except percentages)					
Luxury brands	144,031	67.8%	159,053	43.9%	15,022	10.4%
Diffusion brands	68,296	32.2%	203,080	56.1%	134,784	197.4%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**149,806**	**70.6%**

Net revenues from luxury brands increased by €15.0 million, or 10.4% (10.5% increase on a constant currency basis), driven by strong performance of Tom Ford and Balenciaga. Net revenues from diffusion brands increased by €134.8 million, or 197.4%, primarily attributable to the Viva Acquisition, which added several brands to our diffusion portfolio, including Guess, Gant, Harley Davidson, and other brands targeted specifically to the US market. Excluding the consolidation of the Viva Group, which contributed to an increase of €125.1 million, net revenues from diffusion brands increased by €9.7 million.

Net revenues by product type	For the year ended December 31,				Change	
	2013	% of total	2014	% of total	€	%
	(€ in thousands, except percentages)					
Sunglasses	125,764	59.2%	177,466	49.0%	51,702	41.1%
Prescription frames	86,563	40.8%	184,667	51.0%	98,104	113.3%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**149,806**	**70.6%**

Net revenues from sunglasses and prescription frames increased by €51.7 million and €98.1 million, or 41.1% and 113.3% (increases of 41.6% and 113.6% on a constant currency basis), respectively. The increases were primarily attributable to the Viva Acquisition, with prescription frames increasing more than sunglasses given the Viva Group's previously mentioned strong presence in prescription frames.

Net revenues by geographic segment	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Americas	96,440	45.4%	173,218	47.8%	76,778	79.6%
Europe	70,349	33.1%	121,359	33.6%	51,010	72.5%
Italy	*14,933*	*7.0%*	*21,223*	*5.9%*	*6,290*	*42.1%*
Rest of Europe	*55,416*	*26.1%*	*100,136*	*27.7%*	*44,720*	*80.7%*
Asia	20,067	9.5%	28,137	7.8%	8,070	40.2%
Rest of World	25,471	12.0%	39,419	10.8%	13,948	54.8%
Total	**212,327**	**100.0%**	**362,133**	**100.0%**	**149,806**	**70.6%**

Americas

Net revenues from the Americas amounted to €173.2 million for the year ended December 31, 2014, an increase of €76.8 million, or 79.6% (81.3% increase on a constant currency basis), compared to €96.4 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €83.4 million, Americas net revenues decreased by €6.6 million. The decrease was primarily attributable to the effects of the Viva integration activities carried out during 2014 in the United States.

Italy

Net revenues from Italy amounted to €21.2 million for the year ended December 31, 2014, an increase of €6.3 million, or 42.1%, compared to €14.9 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €2.2 million, Italy net revenues increased by €4.1 million. The increase was due to both luxury and diffusion brands. In particular, net revenues from luxury brands increased by 17.3%, driven by Tom Ford, Balenciaga and DSquared2, and net revenues from diffusion brands increased by 47.9%, driven by Swarovski and our proprietary brand Web.

Rest of Europe

Net revenues from the Rest of Europe amounted to €100.1 million for the year ended December 31, 2014, an increase of €44.7 million, or 80.7% (79.3% increase on a constant currency basis), compared to €55.4 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €30.0 million, Rest of Europe net revenues increased by €14.7 million. The increase was due to both luxury and diffusion brands. In particular, net revenues from luxury brands increased by 21.8%, driven by Tom Ford and Roberto Cavalli, and net revenues from diffusion brands increased by 44.3%, driven by Timberland, Swarovski, Diesel and our proprietary brand Web.

Asia

Net revenues from Asia amounted to €28.1 million for the year ended December 31, 2014, an increase of €8.1 million, or 40.2% (40.6% increase on a constant currency basis), compared to €20.1 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €3.7 million, Asia net revenues increased by €4.4 million. The increase was due to luxury brands, driven by Tom Ford, Balenciaga and Montblanc, which more than offset a minor decrease in diffusion brands.

Rest of World

Net revenues from Rest of World amounted to €39.4 million for the year ended December 31, 2014, an increase of €13.9 million, or 54.8% (54.8% increase on a constant currency basis), compared to €25.5 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase of €5.8 million, Rest of World net revenues increased by €8.1 million. The increase was primarily due to luxury brands, and to a lesser extent, diffusion brands. In particular, net revenues from luxury brands increased by 44.0%, driven by Tom Ford, Montblanc and Roberto Cavalli, and net revenues from diffusion brands increased by 8.3%, driven by Swarovski and our proprietary brand Web.

Cost of Sales

The following table sets forth an analysis of cost of sales for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Materials and finished products	57,084	26.9%	110,748	30.6%	53,664	94.0%
Personnel expenses	17,474	8.2%	19,480	5.4%	2,006	11.5%
Other costs	7,325	3.4%	15,132	4.2%	7,807	106.6%
Total	**81,883**	**38.6%**	**145,360**	**40.1%**	**63,477**	**77.5%**

Cost of sales amounted to €145.4 million for the year ended December 31, 2014, an increase of €63.5 million, or 77.5%, compared to €81.9 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase in cost of sales of €51.8 million, cost of sales increased by €11.7 million, while cost of sales as a percentage of net revenues increased from 38.4% in 2013 to 39.4% in 2014.

The increase in the cost of sales is attributable to the combined effect of the following:

- *Materials and finished products* amounted to €110.7 million for the year ended December 31, 2014, an increase of €53.6 million, or 94.0%, compared to €57.1 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, materials and finished products as a percentage of net revenues were substantially unchanged, amounting to 26.5% in 2013 and 26.8% in 2014.
- *Personnel expenses* amounted to €19.5 million for the year ended December 31, 2014, an increase of €2.0 million, or 11.5%, compared to €17.5 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, personnel expenses as a percentage of net revenues decreased from 8.5% in 2013 to 7.7% in 2014, reflecting the reorganization and integration of the sales forces in the US, the UK, France, Brazil and Hong Kong in 2014.
- *Other costs* amounted to €15.1 million for the year ended December 31, 2014, an increase of €7.8 million, or 106.6%, compared to €7.3 million for the year ended December 31, 2013. Excluding

the consolidation of the Viva Group, other costs as a percentage of net revenues increased from 3.4% in 2013 to 4.9% in 2014. In both periods, other costs primarily related to transport and customs charges, and to a lesser extent, depreciation and amortization of assets associated with production activities.

Gross Profit

The following table sets forth an analysis of gross profit for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Net revenues	212,327	100.0%	362,133	100.0%	149,806	70.6%
Cost of sales	81,883	38.6%	145,360	40.1%	63,477	77.5%
Gross profit	**130,444**	**61.4%**	**216,773**	**59.9%**	**86,329**	**66.2%**

Gross profit amounted to €216.8 million for the year ended December 31, 2014, an increase of €86.4 million, or 66.2%, compared to €130.4 million for the year ended December 31, 2013, primarily as a result of the factors described above. Excluding the consolidation of the Viva Group, which contributed to an increase in gross profit of €73.3 million, gross profit increased by €13.1 million, or 10.4%, primarily as a result of the factors described above, while gross profit as a percentage of net revenues decreased from 61.6% for the year ended December 31, 2013 to 60.6% for the year ended December 31, 2014.

Distribution and Marketing Expenses

The following table sets forth an analysis of distribution and marketing expenses for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Royalties	33,115	15.6%	44,391	12.3%	11,276	34.1%
of which VRA	*23,396*	*11.0%*	*38,063*	*10.5%*	*14,667*	*62.7%*
of which MAG	*9,719*	*4.6%*	*6,328*	*1.8%*	*(3,391)*	*(34.9%)*
Personnel expenses	36,381	17.1%	68,983	19.0%	32,602	89.6%
Advertising and public relations	14,839	7.0%	23,845	6.6%	9,006	60.7%
Other costs	17,353	8.2%	32,031	8.8%	14,678	84.6%
Total	**101,688**	**47.9%**	**169,250**	**46.7%**	**67,562**	**66.4%**

Distribution and marketing expenses amounted to €169.3 million for the year ended December 31, 2014, an increase of €67.6 million, or 66.4%, compared to €101.7 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase in distribution and marketing expenses of €56.8 million, distribution and marketing expenses increased by €10.8 million, while distribution and marketing expenses as a percentage of net revenues marginally decreased from 47.4% in 2013 to 47.0% in 2014.

The increase in distribution and marketing expenses is attributable to the combined effect of the following:

- *Royalties* amounted to €44.4 million for the year ended December 31, 2014, an increase of €11.3 million, or 34.1%, compared to €33.1 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, royalties as a percentage of net revenues decreased from 15.3% in 2013 to 13.4% in 2014, driven by a decrease in the MAG royalties directly related to increased sales in excess of the minimum sales volumes required in license contracts, as well as the successful renegotiation of certain license agreements with improved royalty terms.
- *Personnel expenses* amounted to €69.0 million for the year ended December 31, 2014, an increase of €32.6 million, or 89.6%, compared to €36.4 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, personnel expenses as a percentage of net revenues amounted to 16.7% in 2013 and 17.1% in 2014.

- *Advertising and public relations* amounted to €23.8 million for the year ended December 31, 2014, an increase of €9.0 million, or 60.7%, compared to €14.8 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, advertising and public relations as a percentage of net revenues amounted to 7.4% 2013 and 7.7% in 2014.
- *Other costs* amounted to €32.0 million for the year ended December 31, 2014, an increase of €14.6 million, or 84.6%, compared to €17.4 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, other costs as a percentage of net revenues increased from 8.0% in 2013 to 8.8% in 2014.

General and Administrative Expenses

The following table sets forth an analysis of general and administrative expenses for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
General and administrative expenses	20,707	9.8%	31,711	8.8%	11,004	53.1%

General and administrative expenses amounted to €31.7 million for the year ended December 31, 2014, an increase of €11.0 million, or 53.1%, compared to €20.7 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase in general and administrative expenses of €9.7 million, general and administrative expenses increased by €1.3 million, while general and administrative expenses as a percentage of net revenues decreased from 9.6% in 2013 to 9.2% in 2014.

Operating Income and Expenses

The following table sets forth an analysis of operating income and expenses for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Other operating income	3,342	1.6%	5,134	1.4%	1,792	53.6%
Other operating expenses	(1,432)	(0.7%)	(1,014)	(0.3%)	418	(29.2%)
Net other operating income	**1,910**	**0.9%**	**4,120**	**1.1%**	**2,210**	**115.7%**

Net other operating income amounted to €4.1 million for the year ended December 31, 2014, an increase of €2.2 million, or 115.7%, compared to €1.9 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to a net increase in other operating income of €1.7 million, while net other operating income as a percentage of net revenues increased from 0.8% in 2013 to 1.0% in 2014.

Financial Income and Costs

The following table sets forth an analysis of financial income and costs for the periods indicated.

	For the year ended December 31,				Change	
	2013	% of net revenues	2014	% of net revenues	€	%
	(€ in thousands, except percentages)					
Financial income	2,886	1.4%	18,203	5.0%	15,317	n.a.
Financial costs	(24,655)	(11.6%)	(31,033)	(8.6%)	(6,378)	25.9%
Financial income and costs	**(21,769)**	**(10.3%)**	**(12,830)**	**(3.5%)**	**8,939**	**(41.1%)**

Financial income and costs amounted to €12.8 million for the year ended December 31, 2014, a decrease of €9.0 million, or 41.1%, compared to €21.8 million for the year ended December 31, 2013. Excluding the consolidation of the Viva Group, which contributed to an increase in net financial expenses of €1.6 million, financial income and costs decreased by €10.5 million, while financial income and costs as a percentage of net revenues decreased from 10.5% in 2013 to 4.8% in 2014. The decrease is primarily attributable to foreign currency exchange gains, driven by the appreciation of the U.S. dollar compared to the euro.

Income Tax Expense

	For the year ended December 31,	
	2013	2014
	(€ in thousands, except percentages)	
Income tax expense	201	6,695

Income tax expense amounted to €6.7 million for the year ended December 31, 2014 compared to €0.2 million for year ended December 31, 2013.

Liquidity

Our primary sources of liquidity in the past have been cash flows from operations and to a lesser extent, cash proceeds from financing activities. Cash flows from financing activities have in the past included, among others, the net proceeds from the Existing 2019 Notes, drawings under the Existing Revolving Credit Facility, long term loans from banks, capital leases, short term loans under unsecured bilateral facilities (including invoice discounting as discussed under "*Description of Certain Financing Arrangements—Bilateral Facilities*") and the sale of trade receivables to factoring counterparties typically under recourse and non-recourse (*pro soluto*) arrangements. See "*Description of Certain Financing Arrangements—Factoring Operations*" for a description of our factoring operations.

We intend to use the proceeds from the Offering, amounts received from the Marcolin Capital Increase and borrowings under the New Revolving Credit Facility, together with cash from balance sheet to redeem all of the outstanding Existing 2019 Notes (plus accrued interest and premium), repay all amounts outstanding under the Existing Revolving Credit Facility, pay one or more dividends to Marmolada in respect of the Vendor Loan Note Repayment and associated costs, taxes and fees by its shareholder 3Cime, partially repay certain of our Bilateral Facilities and pay certain fees and expenses in connection with the Refinancing. See "*Use of Proceeds*."

We expect that following the Refinancing, certain of the Group's capital leases and non-recourse factoring obligations of the Issuer will remain outstanding and that we will continue to use bilateral facilities with Italian lenders to meet our export finance, working capital and liquidity needs. We will also have available drawings under the New Revolving Credit Facility, of which we expect €10.0 million to be drawn as of the Issue Date. Our main sources of liquidity following the Refinancing will be cash generated from our operating activities and the New Revolving Credit Facility. We may also engage in opportunistic factoring transactions and sell a portion of our trade receivables. In addition, we expect to receive €21.9 million from the Marcolin Capital Increase during the second quarter of 2017 in relation to the M/L JV Formation, see "*Summary—Recent Developments—Joint Venture with LVMH*". For more information regarding our indebtedness and cash service requirements on our indebtedness following the Refinancing, see "*Capitalization*" and "*Description of Certain Financing Arrangements*."

Following the Refinancing our cash requirements will mainly consist of the following:

- Operating activities, including our net working capital requirements and purchasing raw materials and semi-finished products;
- Making payments under our license agreements;
- Servicing our indebtedness and the interest payments thereon, including the Notes offered hereby and the New Revolving Credit Facility;
- Funding capital expenditures; and
- Taxes and other expenses.

Trade Working Capital

The table below sets forth a summary of movements in our trade working capital, as derived from our consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)
			(€ in thousands)		
(Increase)/decrease in trade receivables	(1,300)	(10,553)	(7,068)	(9,388)	9,554
(Increase)/decrease in inventories	3,717	(27,821)	(18,932)	(12,092)	(1,665)
Increase/(decrease) in trade payables	(11,260)	33,787	20,063	(13,521)	(10,736)
Movements in Trade Working Capital	**(8,843)**	**(4,587)**	**(5,937)**	**(35,001)**	**(2,847)**

Our trade working capital movements are mainly affected by the volumes and timing of sales. We have undertaken management initiatives with the aim of optimizing trade working capital and in particular reducing the days sales outstanding (DSO) and days of inventory (DOI). As a result of these initiatives, our DSO decreased by seven days for the nine months ended September 30, 2016 compared to the same period in 2015, and three days in 2015 compared to 2014. Additionally, our DOI decreased by two days for the nine months ended September 30, 2016 compared to the same period in 2015, and one day in 2015 compared to 2014. Our trade payables are affected by sales volumes as well as by payments for the renewal of licenses.

Payment agreements with our customers vary according to local laws and market practice. However, generally speaking, for large key accounts and for distributors, contracts require payments within specific periods, which can be between zero days (pre-payment) and 90 days, or in certain instances, depending on the jurisdiction, up to 120 days. For all other customers (independent opticians and small optical chains), payment terms are set by local laws and by our standard terms policy, which normally range from 30 to 120 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located.

Our business is affected by seasonality, with sales of sunglasses generally higher in the first half of each year, therefore net revenues for the first half of a given year are expected to account for more than half of the year's total net revenues. As a result, net revenues for the nine months ended September 30 should not be considered as an outlook of the full year. In order to be able to launch new collections at the start of the calendar year, we generally stock up the new lines and as a result, inventory at year-end is usually larger than during interim periods.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015 (Unaudited)	2016 (Unaudited)
	(€ in thousands)				
Operating activities					
Profit before income tax expense	(11,810)	7,102	7,569	(505)	8,591
Depreciation, amortization and impairment	5,411	8,958	10,954	7,789	9,498
Accruals to provisions, non-cash items and interest expense	18,109	6,132	19,245	21,312	12,691
Cash flows from operating activities before changes in working capital and tax paid	**11,710**	**22,192**	**37,768**	**28,596**	**30,780**
Movements in working capital	(14,819)	(11,019)	(9,706)	(39,194)	(2,272)
Adjustments to other non-cash items	5,524	(2,493)	(4,722)	(7)	(163)
Income taxes paid/(refunded)	(1,938)	(3,609)	1,277	238	(374)
Net cash flows from operating activities	**477**	**5,071**	**24,617**	**(10,367)**	**27,971**
Purchase of property, plant and equipment	(2,615)	(6,179)	(7,153)	(6,630)	(2,036)
Proceeds from the sale of property, plant and equipment	(30)	755	68	61	(5)
Purchase of intangible assets	(1,512)	(6,742)	(14,830)	(7,625)	(15,566)
Acquisition of investments	(127,745)	(6,488)	—	91	945
Net cash used in investing activities	**(131,902)**	**(18,654)**	**(21,915)**	**(14,103)**	**(16,662)**
Adjustments to other non-cash items					
Net proceeds from of borrowings	91,620	26,497	17,648	19,692	3,021
Interest paid[(1)]	(17,452)	(18,253)	(19,043)	(9,539)	(10,306)
Other cash flows from financing activities	—	—	(188)	—	(62)
Capital contribution payment	51,300	—	1,005	975	—
Net cash from/(used in) financing activities	**125,468**	**8,244**	**(578)**	**11,128**	**(7,347)**
Net increase/(decrease) in cash and cash equivalents	***(5,957)***	***(5,339)***	***2,124***	***(13,342)***	***3,962***
Effect of foreign exchange rate changes	*(707)*	*3,736*	*1,325*	*950*	*(1,016)*
Cash and cash equivalents at the beginning of the period	45,200	38,536	36,933	36,933	40,382
Cash and cash equivalents at the end of the period	**38,536**	**36,933**	**40,382**	**24,541**	**43,328**

(1) Interest paid has been reclassified from operating activities to financing activities

Net Cash Flows from Operating Activities

Nine Months Ended September 30, 2016 as compared to the Nine Months Ended September 30, 2015

Net cash flows provided by operating activities amounted to €28.0 million for the nine months ended September 30, 2016 compared to cash used of €10.4 million for the nine months ended September 30, 2015. The increase of €38.4 million in cash provided by operating activities was primarily attributable to the combined effect of:

- a €2.2 million increase in cash flows from operating activities before changes in working capital and tax paid, from €28.6 million for the nine months ended September 30, 2015 to €30.8 million for the nine months ended September 30, 2016. The increase was primarily related to an increase in EBITDA of €7.6 million, which partially offset the effects of accruals to provisions, non-cash items and interest which decreased from a positive effect of €21.3 million for the nine months ended September 30, 2015 compared to €12.7 million for the nine months ended September 30, 2016.

- a €36.9 million decrease in cash absorbed from movements in working capital, from €39.2 million for the nine months ended September 30, 2015 to €2.3 million for the nine months ended September 30, 2016. The movements were mainly related to trade receivables and inventory. In particular:
  - a decrease in trade receivables generated cash of €9.6 million for the nine months ended September 30, 2016 compared to cash absorbed of €9.4 million for the nine months ended September 30, 2015. This improvement was mainly due actions taken by management to improve the days sales outstanding. In particular, the credit days decreased by seven days for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.
  - an increase in inventories used cash of €1.7 million for the nine months ended September 30, 2016 compared to €12.1 million for the nine months ended September 30, 2015. This improvement is mainly related to management actions focused on inventory optimization. In particular, the days of inventory (including raw materials, work in process and finished goods) decreased by two days for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

Year Ended December 31, 2015 as Compared to the Year Ended December 31, 2014

Net cash flows provided by operating activities amounted to €24.6 million for the year ended December 31, 2015 compared to €5.1 million for the year ended December 31, 2014. The increase of €19.5 million in cash provided by operating activities was primarily attributable to the combined effect of:

- a €15.6 million increase in cash flows from operating activities before changes in working capital and tax paid, from €22.2 million for the year ended December 31, 2014 to €37.8 million for the year ended December 31, 2015, primarily related to an increase in EBITDA of €10.3 million, from €29.4 million for the year ended December 31, 2014 to €39.7 million for the year ended December 31, 2015, and the effect of non-cash items which amounted to a cost of €8.9 million for the year ended December 31, 2014 compared to a cost of €5.4 million for the year ended December 31, 2015.
- a €1.3 million decrease in cash used from movements in working capital, from cash absorbed of €11.0 million for the year ended December 31, 2014 to cash absorbed of €9.7 million for the year ended December 31, 2015.
- a €4.9 million positive effect from income taxes paid of €3.6 million for the year ended December 31, 2014 compared to income taxes refunded of €1.3 million for the year ended December 31, 2015.

These positive effects were partially offset by:

- a €2.2 million negative effect of other non-cash items, which represented a cost of €2.5 million for the year ended December 31, 2014 as compared to a cost of €4.7 million for the year ended December 31, 2015.

Year Ended December 31, 2014 as Compared to the Year Ended December 31, 2013

Net cash flows provided by operating activities amounted to €5.1 million for the year ended December 31, 2014 compared to €0.5 million for the year ended December 31, 2013. The increase of €4.6 million in cash provided by operating activities was primarily attributable to the combined effect of:

- a €10.5 million increase in cash flows from operating activities before changes in working capital and tax paid, from €11.7 million for the year ended December 31, 2013 to €22.2 million for the year ended December 31, 2014), primarily related to an increase in EBITDA from €15.9 million for the year ended December 31, 2013 to €29.4 million for the year ended December 31, 2014
- a €3.8 million decrease in cash used from movements in working capital from €14.8 million for the year ended December 31, 2013 to €11.0 million for the year ended December 31, 2014. In particular, movements in trade working capital were as follows:
  - an increase in trade payables generated cash of €33.8 million for the year ended December 31, 2014 compared to cash absorbed of €11.3 million for the year ended December 31, 2013. This improvement was mainly attributable to the increase in turnover and the increase in inventory. In addition, trade payables at December 31, 2014 included payables due to licensors for licenses stipulated during the year.
  - an increase in inventories used cash of €27.8 million for the year ended December 31, 2014 compared to cash generated of €3.7 million for the year ended December 31, 2013, mainly due to

an increase in finished product inventories due to higher turnover, the effects of sales incentives to reduce back orders and the use of continuing lines at the warehouse to ensure products are never out of stock. These effects were partially offset by a decrease in inventories of products for former collections; and

  - an increase in trade receivables absorbed cash of €10.6 million for the year ended December 31, 2014 compared to cash absorbed of €1.3 million for the year ended December 31, 2013, mainly related to the increase in sales and the effect of the consolidation of Viva.

- A €1.7 million increase in income taxes paid.

These positive effects were partially offset by:

- €8.0 million related to the effects of other non-cash items, which represented a gain of €5.5 million for the year ended December 31, 2013 compared to a cost of €2.5 million for the year ended December 31, 2014.

Net Cash Flows Used in Investing Activities

Nine Months Ended September 30, 2016 as Compared to the Nine Months Ended September 30, 2015

Net cash flows used in investing activities amounted to €16.7 million for the nine months ended September 30, 2016, an increase of €2.6 million compared to €14.1 million for the nine months ended September 30, 2015.

Investing activities for the nine months ended September 30, 2016 primarily related to:

- Investments of €15.6 million in intangible assets mainly related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations, primarily attributable to Italy.
- Investments of €2.0 million in property, plant and equipment mainly related to maintenance, replacement and modernization of our production and logistics facilities.

Investing activities for the nine months ended September 30, 2015 primarily related to:

- Investments of €7.6 million in intangible assets mainly related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions, as well as software and business application implementations, primarily in the US, including the rollout of SAP.
- Investments of €6.6 million in property, plant and equipment mainly related to the purchase of the manufacturing plant in Fortogna and investments in industrial and commercial equipment.

Year Ended December 31, 2015 as Compared to the Year Ended December 31, 2014

Net cash flows used in investing activities amounted to €21.9 million for the year ended December 31, 2015, an increase of €3.2 million compared to €18.7 million for the year ended December 31, 2014.

Investing activities for the year ended December 31, 2015 primarily related to:

- Investments of €14.8 million in intangible assets mainly related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations, primarily in the US, including the rollout of SAP.
- Investments of €7.2 million in property, plant and equipment, including those related to the purchase of the manufacturing plant in Fortogna and investments in industrial, commercial and office equipment.

Investing activities for the year ended December 31, 2014 primarily related to:

- Investments of €6.7 million in intangible assets mainly related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations.
- Investments of €6.2 million in property, plant and equipment mainly related to the renewal of production lines of the Issuer, the restructuring of our offices in France and Brazil (as a result of the integration of Viva France and Viva Brazil), the establishment of a new company in Hong Kong as a branch of Marcolin UK, as well as lease payments for machinery; and

- €6.5 million for the acquisition of investments, of which €5.0 million relates to Viva, representing the portion of the Viva Acquisition consideration that was deferred to 2014, and €1.5 million relating to the acquisition of 51% of Sover-M (renamed Marcolin—RUS LLC) which took place in December 2014.

Year Ended December 31, 2014 as Compared to the Year Ended December 31, 2013

Net cash flows used in investing activities amounted to €18.7 million for the year ended December 31, 2014, a decrease of €113.2 million compared to €131.9 million for the year ended December 31, 2013.

Investing activities for the year ended December 31, 2013 primarily related to:

- Investments of €1.5 million in intangible assets mainly related to investments for the future operations of two new companies, Eyestyle.com S.r.l. and Eyestyle Retail S.r.l., including e-commerce development assets;
- Investments of €2.6 million in property, plant and equipment mainly related to the restructuring and upgrading of logistics and production operations, and the acquisition of machinery, mainly for Marcolin SpA; and
- €127.7 million for the acquisition of investments of which €74.1 million relates to the Viva Acquisition and €53.6 million relates to the acquisition of the minority interest in Marcolin, which was completed and settled during the first half of 2013.

Net Cash Flows From Financing Activities

Nine Months Ended September 30, 2016 as Compared to the Nine Months Ended September 30, 2015

Net cash flows used in financing activities amounted to €7.3 million for the nine months ended September 30, 2016, a decrease of €18.4 million compared to net cash from financing activities of €11.1 million for the nine months ended September 30, 2015.

For the nine months ended September 30, 2016 net cash flows used in financing activities mainly consisted of interest paid of €10.3 million, primarily with respect to the Existing 2019 Notes, which was partially offset by €3.0 million net proceeds from bank loans and borrowings, primarily related to new long-term loans from banks.

For the nine months ended September 30, 2015 net cash flows from financing activities mainly related to €19.7 million net proceeds from bank loans and borrowings, including an additional withdrawal of €5 million on the Existing Revolving Credit Facility as well as several new long-term loans from banks obtained during the year, partially offset by €9.5 million interest paid.

Year Ended December 31, 2015 as Compared to the Year Ended December 31, 2014

Net cash flows used in financing activities amounted to €0.6 million for the year ended December 31, 2015 compared to net cash from financing activities of €8.2 million for the year ended December 31, 2014.

For the year ended December 31, 2015 net cash flows used in financing activities mainly consisted of interest paid of €19.0 million, primarily with respect to the Existing 2019 Notes, which was partially offset by €17.6 million net proceeds from bank loans and borrowings, including an additional withdrawal of €5 million on the Existing Revolving Credit Facility as well as several new long-term loans from banks obtained during the year, and €1.0 million relating to a capital increase.

For the year ended December 31, 2014 net cash flows from financing activities mainly related to €26.5 million net proceeds from bank loans and borrowings, primarily related to €20 million from the Existing Revolving Credit Facility and €5 million from a new long-term bank loan obtained during the year, partially offset by €18.3 million interest paid that was primarily related to the Existing 2019 Notes.

Year Ended December 31, 2014 as Compared to the Year Ended December 31, 2013

Net cash flows from financing activities amounted to €8.2 million for the year ended December 31, 2014 compared to net cash from financing activities of €125.5 million for the year ended December 31, 2013.

For the year ended December 31, 2014 net cash flows from financing activities mainly related to €26.5 million net proceeds from bank loans and borrowings, partially offset by €18.3 million interest paid that was primarily related to the Existing 2019 Notes.

For the year ended December 31, 2013 net cash flows from financing activities mainly related to €91.6 million net proceeds from bank loans and borrowings, including the Existing 2019 Notes which were partially used to fund the Viva Acquisition and to refinance the Group's preexisting indebtedness, and €51.3 million proceeds from capital increases, partially offset by interest paid of €17.5 million.

Capital Expenditures

Our capital expenditures have primarily consisted of the maintenance and modernization of our production and logistics facilities and investments in obtaining new licenses or renewing existing licenses. The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

	For the year ended December 31,						For the nine months ended September 30,			
	2013	% of total	2014	% of total	2015	% of total	2015 (Unaudited)	% of total	2016 (Unaudited)	% of total
	(€ in thousands, except percentages)									
Property, plant and equipment	2,645	63.6%	5,424	44.6%	7,085	32.3%	6,569	46.3%	2,041	11.6%
Intangible assets	1,512	36.4%	6,742	55.4%	14,830	67.7%	7,625	53.7%	15,566	88.4%
Capital Expenditures	**4,157**	**100.0%**	**12,166**	**100.0%**	**21,915**	**100.0%**	**14,194**	**100.0%**	**17,607**	**100.0%**

Capital expenditures for property, plant and equipment for the nine months ended September 30, 2016 primarily related to maintenance, replacement and modernization of our production and logistics facilities. Capital expenditures for intangible assets for the nine months ended September 30, 2016 primarily related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations.

Capital expenditures for property, plant and equipment for the nine months ended September 30, 2015 primarily related to the acquisition of the Fortogna plant and the related machinery and equipment. Capital expenditures for intangible assets for the nine months ended September 30, 2015 primarily related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as €1.8 million relating to software and business application implementations, primarily in the US, including the rollout of SAP.

Capital expenditures for property, plant and equipment for the year ended December 31, 2015 primarily related to approximately €5 million for the purchase of the manufacturing plant in Fortogna and related machinery and equipment, as well purchases of industrial and commercial equipment, hardware and office equipment. Capital expenditures for intangible assets for the year ended December 31, 2015 primarily related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations, primarily in the US, including the rollout of SAP.

Capital expenditures for property, plant and equipment for the year ended December 31, 2014 primarily related to the renewal of production lines, the restructuring of offices in France and Brazil (as a result of the integration of Viva France and Viva Brazil), and the establishment of a new company in Hong Kong as a branch of Marcolin UK. Capital expenditures for intangible assets for the year ended December 31, 2014 primarily related to payments to certain licensors in order to extend the licensing agreement period and improve terms and conditions as well as software and business application implementations.

Capital expenditures for property, plant and equipment for the year ended December 31, 2013 primarily related to the restructuring and upgrading of logistics and production operations, and the acquisition of machinery. Capital expenditures for intangible assets for the year ended December 31, 2013 are primarily related to the web platform for e-commerce and for Eyestyle Retail S.r.l. to take over the premises of the showcase store located in Milan.

For the three months ended December 31, 2016, we do not expect our capital expenditures for property, plant and equipment to be significant, while we expect to incur capital expenditures for intangible assets in relation to payments to renew certain license agreements.

We expect our capital expenditure in 2017 to be between €8.0 million and €9.5 million, mainly related to software and maintenance of production and logistics facilities.

Additionally, on January 31, 2017, we entered into the M/L JV with LVMH. We estimate our equity contributions to the start-up costs, capital expenditures and working capital requirements of M/L JV will be between €20 million and €25 million over the course of the next four to five years, of which we expect to fund approximately €7 million in 2017. See *"Summary—Recent Developments—Joint Venture with LVMH"* for further information.

Capital Resources

As of September 30, 2016, after giving effect to the Refinancing, the amount of our total financial debt was €275.9 million. See "*Description of Certain Financing Arrangements*" for a description of the factoring operations and New Revolving Credit Facility that will be available to the Issuer following the Refinancing.

Contractual Obligations

The following table sets forth our contractual obligations as of September 30, 2016, after giving effect to the Refinancing:

	As of September 30, 2016		
	One year	1-5 years	more than 5 years
	(€ in thousands)		
Notes offered hereby	—	—	250,000
Royalty commitments[1]	71,594	202,535	40,888
Rental and operating leases[2]	4,416	11,312	6,740
Total	**76,010**	**213,846**	**297,628**

(1) The Group has contracts in place to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses. These contracts require payment of guaranteed minimum royalties over the duration of the contracts.

(2) Operating lease agreements relate to our obligations under rental agreements for facilities and are disclosed based on the amounts payable until expiry of the relevant contract.

Off-Balance Sheet Arrangements

As of September 30, 2016, we had provided guarantees for an amount of €40 thousand relating to office leases and borrowing arrangements.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to a variety of financial risks including market risks (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

We monitor and manage these risks as an integral part of our overall risk management program, which seeks to reduce their potentially adverse effect on our results of operations and financial position. Our risk management is performed centrally within a pre-defined framework. We do not enter use derivative financial instruments for speculative purposes.

Currency Risk

We operate on an international level and are therefore exposed to foreign currency exchange risk. Our principal exposure is to fluctuations of the U.S. dollar, and we are also exposed to fluctuations of other currencies, including but not limited to the Brazilian real, the Great Britain pound and the Hong Kong dollar.

Although changes in foreign currency exchange rates could affect the amount of revenues or costs that we recognize, we believe that we have a natural hedge against transaction foreign currency risk, whereby the effects of revenues and costs in foreign currencies substantially offset each other. In the past, we entered into forward contracts for U.S. dollars for the purpose of partially hedging our exposure to foreign currency exchange rate risk from U.S. purchases, however, as we believe that we had a natural hedge against foreign currency risk, we did not have any open foreign currency derivative contracts as of September 30, 2016 and we currently do not expect to enter into foreign currency derivatives contracts in the future.

As of September 30, 2016, if the Euro to U.S. dollar exchange rate strengthened/weakened by 5%, with all other variables held constant, operating income for the period would have decreased/increased by €0.3 million.

Interest Rate Risk

For the periods presented in this Offering Memorandum, we have not have significant exposure to interest rate risk as the most significant portion of the Group's debt was represented by the Existing 2019 Notes, which bear a fixed rate of interest. Our historical interest rate exposure has been mainly related to the Existing Revolving Credit Facility and to certain medium and long-term financial liabilities, which bear floating rates of interest. Our exposure to interest rates will increase following the Refinancing and the issuance of the Notes offered hereby, which bear floating rates of interest.

Credit Risk

We do not have a significant concentration of credit risk. Receivables are recognized net of write-downs for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records. We have implemented guidelines for managing customer credit, to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit exposure ceilings. Our impairment of receivables has historically been low, and amounted to 0.1% of net revenues for the nine months ended September 30, 2016.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfill present obligations if we do not have sufficient funds to meet such obligations. Liquidity risk mainly arises in relation to our payment obligations relating to our ordinary course of business, in particular payments to suppliers and, to a lesser extent, servicing our debt. Management of our liquidity ensures maintaining a sufficient level of liquidity and having sources of funding available including by means of adequate credit facilities. Upon completion of the Refinancing, we will also have access to €40.0 million under the New Revolving Credit Facility, of which we expect €10.0 million to be drawn as of the Issue Date. We believe that our available liquidity, including undrawn amounts under the Existing Revolving Credit Facility are sufficient to meet our liquidity requirements.

Critical Accounting Estimates

The preparation of the Group's consolidated financial statements requires making estimates that could affect the carrying value 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, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.

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 values of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Group performs impairment tests 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). As of September 30, 2016, goodwill amounted to €285.3 million, representing 44.1% of our total assets.

Impairment of Non-Current Assets

When there is indication that the net carrying value 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 analyzed 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. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

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.

INDUSTRY OVERVIEW

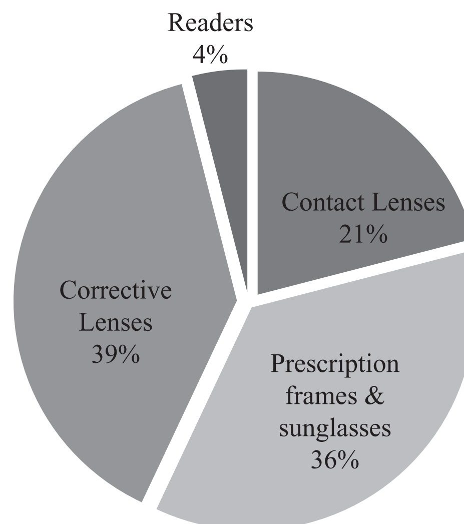
Unless otherwise stated, all information regarding markets, market position and other industry data contained in this Offering Memorandum is based on our own estimates, internal surveys, market research, customer feedback, publicly available information and industry reports prepared by consultants. In many cases, there is no readily available external information (whether from trade associations, government bodies, other industry organizations or competitors) to validate market-related analyses and estimates, resulting in our relying on our own internally developed estimates. Certain of the information presented herein has been derived from external sources, including Taiyou Research, public websites and company financial reports and other independent third party research. Any third party sources we use, including the data provided by Taiyou Research, generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed, and that the projections they contain are based on significant assumptions. Similarly, while we believe that internal surveys, industry forecasts, customer feedback and market research we have used in making our estimates are generally reliable, none of this data has been independently verified. Market data and statistics are inherently subject to uncertainties and not necessarily reflective of actual market conditions. We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry or the relevant markets, and none of our internal surveys or information have been verified by any independent sources. None of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents makes any representation or warranty as to the accuracy or completeness of the industry and market data set forth in this Offering Memorandum, and none of the Issuer, the Guarantors, PAI, the Initial Purchasers, the Trustee or the Agents have independently verified this information and cannot guarantee its accuracy.

Eyewear Market Overview

The eyewear market (excluding surgery and retail distribution) can be divided into four sub-segments:

- prescription frames and sunglasses;
- contact lenses and contact lenses care;
- corrective lenses; and
- readers (non-prescription glasses used for reading).

According to Taiyou Research, at wholesale value, the global eyewear market in 2015 was estimated to be worth €27.5 billion. The chart below displays the breakdown in value according to sub-segment.



The prescription frames and sunglasses segment, in which the Group operates, is estimated to reach approximately €12.4 billion in size at the end of 2020, of which approximately 27.4% is represented by Europe (€3.4 billion), 40.3% by North America (€5.0 billion) and 33.1% by Asia/Rest of World (€4.1 billion). Management estimates that approximately 70% to 80% of the market, in terms of value, is represented by branded products, the core business of the Group and constituting nearly all of its net revenues for the year ended December 31, 2015. The retail price for eyewear in the branded prescription frames and sunglasses segment is generally between 2.0 to 2.5 times that of the wholesale price.

The prescription frames and sunglasses wholesale market can be further segmented into prescription frames (69.7%) and sunglasses (30.4%) for the year ended December 31, 2015. Generally, the two sub-segments benefit from the same growth drivers (analyzed in the following paragraph). However, while the prescription frame

market is typically seen as very stable and has shown resilience in the past, the sunglasses market is more dynamic with greater exposure to the fluctuations of the economic cycle. The combination of the two segments results in a self-hedged market which presents solid growth opportunities.

Key Market Drivers and Growth Areas

Taiyou Research estimates that the branded prescription frames and sunglasses wholesale market will experience growth in the near future due to a combination of factors, including: (i) demographic factors, (ii) the development of emerging markets, (iii) the improvement of living standards and affordability, (iv) a shift towards branded/luxury goods products and (v) increasing health awareness.

Key drivers of the growth in demand include:

- ***Demographics.*** The number of people in need of visual correction and the number of people who receive visual correction impact the development of the prescription frames market. According to Taiyou Research the current global population is approximately 7 billion people, of which 4.2 billion require vision correction (60.0% of total), of which only 1.7 billion receive it (40.5% of people requiring correction). In addition, as a result of higher life expectancy and improved techniques that allow for vision impairments to be diagnosed earlier, by 2030, the population in need of a visual correction is estimated to increase by 1.2 billion, ultimately resulting in a broader customer base and therefore increased growth opportunities.
- ***Development of emerging markets.*** By region, the largest opportunity for the eyewear industry lies in developing economies. Asia, Africa and the Middle East, and Latin America account for 93% of outstanding global correction needs compared to only about 7% represented by Europe, North America and Oceania. As such, increased penetration into emerging markets could result in volume growth.
- ***Improvement of living standards and affordability, especially in emerging markets.*** Expectations of higher gross domestic product per capita, increased access to optical diagnosis and optical care and increasing brand awareness for prescription frames should result in increased sales volumes globally
- ***Shift towards branded/luxury goods products.*** Eyewear products such as sunglasses are increasingly used as fashion accessories. We believe that consumers are increasingly using eyewear to enhance facial features or to make a fashion statement. The shift to branded prescription frames and sunglasses and constant design innovation (including improved fit and weight) have contributed to a reduction in the average life of prescription eyewear. We believe that the popularity of branded products means that consumers now typically own more than one set of prescription glasses.
- ***Increasing health awareness (specifically for sunglasses).*** Consumers are more informed of the health benefits of sunglasses including that, in addition to being a fashion accessory, they can help protect the eyes and skin from sun damage.

The primary vision correction alternatives to prescription frames are contact lenses, but these are typically seen as an addition to prescription frames rather than a full substitute. While refractive optical surgery (laser correction) has grown since it was approved by health regulators in 1995, we believe this method is perceived as expensive, is often not covered by insurance, and is still viewed by consumers as carrying risks.

As a result of the above-mentioned drivers, the wholesale eyewear market has experienced sustained growth from 2010 to 2020 and Taiyou Research estimates that growth trends will continue for the next five years.

The tables below set forth certain global eyewear statistics.

€bn	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Frames	6.1	6.4	6.6	6.6	6.9	7.1	7.3	7.6	7.8	8.1	8.4
Sunglasses	2.6	2.7	2.7	2.7	2.9	3.1	3.2	3.2	3.6	3.8	4.0
Wholesale Market	8.7	9.1	9.2	9.4	9.7	10.2	10.6	11.0	11.5	11.9	12.4

Year over year change	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Frames	3.9%	5.4%	2.6%	1.2%	3.3%	3.3%	3.3%	3.3%	3.3%	3.8%	3.8%
Sunglasses	9.0%	5.4%	-2.2%	1.2%	6.1%	6.1%	6.1%	6.1%	6.1%	5.0%	5.0%
Wholesale Market	5.4%	5.4%	1.2%	1.2%	4.2%	4.2%	4.2%	4.2%	4.2%	3.9%	4.2%

As a % of total	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Frames	70%	70%	71%	71%	70%	70%	69%	69%	68%	68%	68%
Sunglasses	30%	30%	29%	29%	30%	30%	31%	31%	32%	32%	32%
Wholesale Market	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

€bn	2013	2014	2015	2016	2017	2018	2019	2020	CAGR
North America	4.2	4.3	4.4	4.6	4.6	4.7	4.9	5.0	2.7%
Europe	2.9	3.0	3.0	3.1	3.2	3.2	3.3	3.4	2.1%
Asia	2.7	2.9	3.1	3.3	3.4	3.5	3.8	4.1	6.1%
Wholesale Market	9.7	10.2	10.5	11.0	11.2	11.5	11.9	12.4	

In the coming years, Taiyou Research estimates that growth (by percentage) will mainly be driven by emerging markets, whereas growth (by percentage) will be in line with recent trends in mature markets. The table below sets forth certain forecasts regarding sales of eyewear in emerging and mature markets for the periods indicated.

€bn	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Markets	2.0	2.2	2.4	2.7	2.8	2.9	3.1	3.4
Mature Markets	7.7	7.9	8.1	8.3	8.4	8.5	8.8	9.1
Wholesale Market	9.7	10.2	10.6	11.0	11.2	11.5	11.9	12.5

Year over year change	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Markets	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	7.5%	7.5%
Mature Markets	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	3.1%	3.0%
Wholesale Market	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	3.9%	4.2%

As a % of total	2013	2014	2015	2016	2017	2018	2019	2020
Emerging Markets	21%	22%	23%	24%	24%	25%	26%	27%
Mature Markets	79%	78%	77%	75%	75%	74%	74%	74%
Wholesale Market	100%	100%	100%	100%	100%	100%	100%	100%

Key Players and Competitive Positioning

The eyewear market for premium prescription frames and sunglasses is highly competitive and fragmented. However, management believes that competition is more limited in the luxury segment. Our main competitors in the wholesale market are Luxottica Group S.p.A. ("**Luxottica**") and Safilo Group S.p.A. ("**Safilo**") which held 25% and 6%, respectively, of the market share at wholesale level according to Taiyou Research for the year ended December 31, 2015. Other competitors include Marchon Eyewear Inc. ("**Marchon**"), De Rigo S.p.A. ("**De Rigo**"), FGX International Inc. (now a division of Essilor International S.A.) ("**FGX**") and Maui Jim Inc. ("**Maui Jim**").

Luxottica. In addition to the design, manufacture and distribution of eyewear, Luxottica also owns and directly-operates an extensive network of retail stores. . We believe that Luxottica's business model varies from our operations most significantly in their operation of retail stores and in their portfolio which principally consists of (i) proprietary, mostly diffusion, brands and (ii) licensed brands with a larger volume of sales than the brands we target. Management believes Luxottica's distribution network in the U.S. and Europe is extensive.

Safilo. Safilo also designs, manufactures and distributes eyewear for licensed brands which primarily have a larger volume of sales per brand than the brands we target. Management believes Safilo has a growing retail distribution channel. Management also believes Safilo's distribution network in the U.S., Europe and certain countries in Asia is extensive.

Marchon. We believe that Marchon's business model focuses on the design, manufacture and distribution of large volumes of licensed diffusion brands with a small to mid-sized presence in the market at modest margins. Management also believes that Marchon has lost key brands to competitors in recent years and its distribution network is concentrated in the U.S. with limited presence in Europe.

Marcolin. We believe that we rival the scale of Marchon and that our brand portfolio is balanced and comparable to those of our competitors in terms of full product offering of sunglasses and prescription frames, geographic reach in the European and North American markets, target demographics and offering prices. We are one of the leading global wholesalers that focuses on cultivating brand equity for licensed brands.

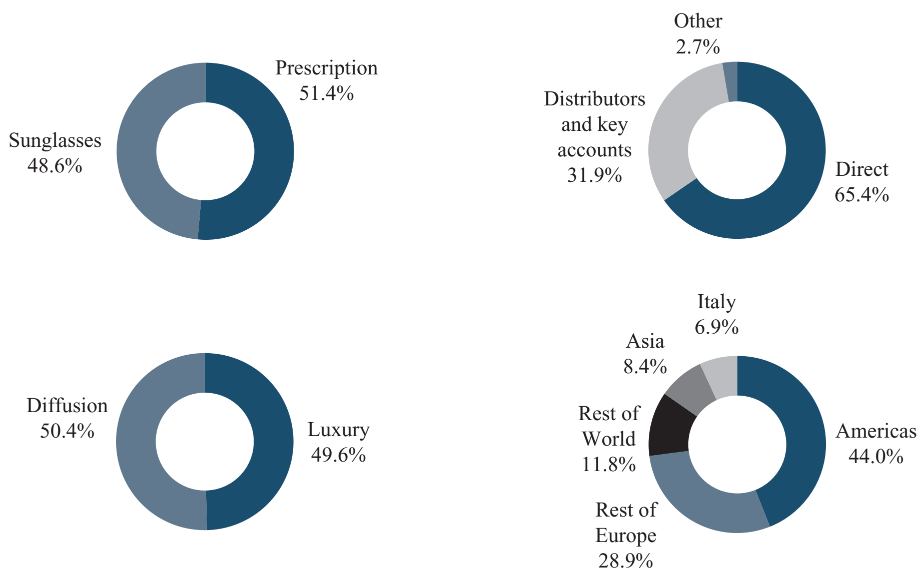
BUSINESS

Unless the context indicates otherwise, other than in respect of "Business—Overview," "Business—Our Strengths" and "Business —Our Strategies," in this "Business," references to "we," "us," "our," or "Marcolin" refer to the Issuer and its subsidiaries (including any of their predecessors).

Overview

We are a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We are one of the world's largest eyewear wholesale players by revenue, with a broad portfolio of 26 licensed brands that appeal to key demographics across six continents. We are primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing brand names we have licensed pursuant to long-term, exclusive agreements. We focus on high performing, internationally recognized brands with eyewear accessory lines that generate (or we believe have a potential to generate) between €30 million to €100 million in net revenues for us annually. Our portfolio includes iconic luxury high-fashion brands such as Tom Ford, TOD'S, Balenciaga, Roberto Cavalli, Montblanc, Zegna, Pucci, DSquared2, Moncler and Omega as well as more affordable, diffusion brands such as Guess, Diesel, Harley Davidson, Swarovski, Just Cavalli, Timberland, Cover Girl, Kenneth Cole New York and Kenneth Cole Reaction. We believe the long tenure of our licenses provide us with strong revenue visibility, as approximately 63.6% of our net revenues for the year ended December 31, 2015 was generated by sales of products under licenses expiring after 2023. The weighted average remaining term of our licenses was 8.3 years as of December 31, 2016. For the twelve months ended September 30, 2016, we had total net revenues of €446.6 million, Adjusted EBITDA of €50.3 million and we sold approximately 14.1 million units.

The graphics below present certain information about our net revenues for the twelve months ended September 30, 2016.



Our product portfolio encompasses 26 licensed brands as well as four proprietary brands. We produce prescription frames, sunglasses and ski goggles for women and men, targeting consumers at different price points. We generate the majority of our net revenues from sales of prescription frames which we believe are less-discretionary purchases and exhibit lower seasonal variation, particularly for higher-priced models.

We divide our portfolio of licensed brands into luxury and diffusion categories. The luxury category comprises high-end, handcrafted pieces produced for prestigious fashion houses, which we create using our decades of experience with our licensors' vision for their brands and our in-house product design and high-quality craftsmanship. Through our close creative partnerships with each of our licensors we are able to design and create innovative products that reflect the character of each brand. Most of our luxury brand products are handcrafted or hand-finished at our new, state-of-the-art facilities in Longarone and Fortogna in northeastern Italy, long considered the birthplace of the modern eyewear industry. As a result of these sophisticated and time-intensive design and production processes, the eyewear in our luxury category generally retails for prices of between €100 and €760. The diffusion category comprises stylish but more affordable licensed-brand

alternatives. Within this category we use our expertise in industrializing eyewear production and integrating style and value. Diffusion brand products are mainly produced in Asia by third parties or assembled in Italy by Marcolin from components and semi-finished products made in China. These more economical design and manufacturing techniques allow us sell our diffusion eyewear products at retail prices of generally between €10 and €265.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for us, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio, balancing a leading position in sunglasses with a complementary leading position in prescription frames and a significantly expanded distribution network in the United States and certain other markets. Since completing the Viva Acquisition, we have strategically integrated and restructured the Viva Group into our sales, manufacturing and distribution operations, strengthening our leading global position in the eyewear wholesale market.

We believe we have created a stable, diversified business model for both our luxury and diffusion brands. Across both our luxury and diffusion categories, we produce sunglasses and prescription eyewear under brands that primarily target men such as Montblanc, Timberland and Omega, that primarily target women such as Guess, Swarovski, Cover Girl and Balenciaga, and that primarily target younger consumers such as Diesel and DSquared2. In addition, on January 31, 2017 we entered into the M/L JVA with LVMH pursuant to which, subject to certain conditions and approvals, M/L JV will, starting in 2018, design and manufacture eyewear for luxury LVMH brands, including Céline and Louis Vuitton, with the purpose of becoming the preferred partner of LVMH in the eyewear business. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*." We believe the risk of changing consumer fashion tastes is mitigated by our and M/L JV's ample portfolio of licensed brands and by the fact that the eyewear collections of our highest revenue-generating brands are characterized by timeless, classic looks and colors, meaning that year by year, several high-selling models continue to be produced with only slight variations.

We are a wholesaler with a presence in approximately 125 countries and an extensive distribution network through nine direct subsidiaries, over 150 partner distributers and three controlled joint ventures across six continents that reaches 77,534 individual POS (of which, 27,910 POS in the US alone). Each of our licensed brands receives careful attention and a tailored distribution strategy appropriate for each brand's prestige and exclusivity. We also design, manufacture, or contract to manufacture, and distribute proprietary brands which currently target entry-level price points for sales to managed care networks in the United States. Our sales force (present through nine commercial subsidiaries) markets our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands.

Our wholesale business model is based on the integration of our product design, manufacturing and sales and distribution operations. Our success is a result of an attuned understanding of trends and customer preference gained by soliciting consumer feedback on preferences at each stage of our business model and integrating that feedback into our product designs. This feedback model allows us to cultivate and grow our brands as they respond to evolving consumer preference. Our integrated business model also enables our design team to create eyewear with a view to industrialization of its production. For in-house production of our luxury brand units, our manufacturing plants have been streamlined using high precision and flexible workstations and include on-site raw materials and semi-finished components storage and logistics. Certain machine intensive phases used in our luxury products are outsourced, such as galvanization of metals and acetate. For our outsourced production of diffusion brand models, our manufacturing and supply strategy is based on established relationships with best-in-class suppliers in China, granting us not only good pricing, but more importantly, short lead times and low capital requirements while maintaining a flexible cost structure. We operate through a sales force and extensive international distribution network that, together, form a careful distribution strategy that utilizes a variety of channels to preserve exclusivity. We also provide POS display and marketing materials that showcase the distinctiveness of our licensed brands.

Our Strengths

We attribute our market position and opportunities for continued growth to the following competitive strengths:

Well positioned in the attractive and stable global wholesale eyewear market that shows favorable trends towards branded products and growth in emerging markets.

We believe the wholesale eyewear industry is an attractive and relatively stable market with favorable long-term growth trends due to a variety of economic, demographic and social factors. Taiyou Research estimates that the

global market for prescription frames and sunglasses was worth €10.2 billion in 2015 at wholesale prices and will grow at a CAGR of 4.0% to reach €12.4 billion by 2020.

The prescription frames segment of the optical market is particularly stable and resilient during periods of economic slowdown in mature economies due in part to the non-discretionary nature of prescription lenses purchases. Taiyou Research estimates that the wholesale prescription frames market was worth €7.1 billion in 2015 (69.6% of the total wholesale eyewear market) and will grow at a CAGR of 3.4% to reach €8.4 billion in 2020 driven by a combination of economic, demographic and social factors, including an aging population, increased use of computer monitors at work, increased affordability of eye care and changing consumer behaviors. Taiyou Research further estimates that in 2015, 4.2 billion, or 60% of the world's population, required some form of vision correction, though only about 1.7 billion received treatment. The number of people in need of vision correction interventions (prescription lenses, contact lenses and corrective surgery) is expected to increase by 1.2 billion to 5.4 billion in 2030. In addition, consumers have begun to view eyewear as a fashion accessory and method of expression, heightening the consumer's interest in branded eyewear products and hence we believe that consumers are increasingly more likely to change the prescription frame when they change lenses, generally once every three years. We believe we are well positioned to take advantage of the positive trends in prescription frames given our strength in this segment.

The sunglasses segment has historically exhibited higher growth rates in periods of economic growth, though demand is more dynamic and sensitive to economic factors. Taiyou Research estimates that the wholesale sunglasses market was worth €3.1 billion in 2015 (30.4% of the larger wholesale eyewear market) and is forecasted to grow at a CAGR of 5.2% to reach €4.0 billion in 2020 (32.3% of the larger wholesale eyewear market). Significant new demand for sunglasses is expected due to increased awareness of the harm of ultraviolet rays and the increased brand awareness of consumers, which we believe we can satisfy through our expansive and diverse brand portfolio.

In the near-term, demand in emerging markets, particularly for branded products, is expected to drive the global eyewear market. Taiyou Research estimates that in 2015, 93% of the population with unmet needs of vision correction resided outside of mature markets and socioeconomic and demographic changes are expected to increase optical diagnosis and affordability of eye care in those markets. Taiyou Research forecasts growth of the wholesale eyewear market in emerging markets of CAGR of 8.7% from 2013 to 2020, as compared to 2.8% for the entire market over the same period. Taiyou Research expects growth to come from both the sunglasses and prescription frames segment. Demand for branded products in emerging markets, such as China, Brazil and India, will outpace demand for non-branded products as consumer awareness of internationally-recognized brands grows and economic segmentation among consumers becomes an important social signifier. We are present in approximately 125 countries on six continents and for the twelve months ended September 30, 2016, 20.2% of our net revenues were generated in Asia and Rest of World. We believe we can leverage our increased presence in the emerging markets, particularly China, where we have increased operations and streamlined our production and distribution channels to capitalize on the projected growth in these markets.

Leading player in the global eyewear industry with a strong competitive position, enhanced by the M/L JV.

We are a leading player in the global eyewear market. We are present in approximately 125 countries on six continents, either directly, through our three controlled joint ventures or through our relationships with over 150 distributors. For the twelve months ended September 30, 2016, 44.0% of our net revenues were generated in the Americas, 35.8% in Europe (including Italy), 8.4% in Asia and 11.8% in Rest of World. Our global scale and distribution network enable us to market our licensed brands on a global platform, take advantage of growing opportunities in emerging markets with high-growth potential such as Asia, Brazil, Russia and the Middle East and extensively cover more the United States market, where our distribution network reaches approximately half of all the POS in the United States. We believe that our extensive and diversified geographic presence act as a natural hedge against localized economic downturns and allows us to maximize distribution in regions of increasing demand, such as China.

We believe that our strong competitive position in the global eyewear market will be enhanced by our participation in the M/L JV, which has been formed with the intention of making M/L JV the eyewear designer, manufacturer and distributor of choice for the family of LVMH luxury brands.

High revenue visibility as a result of a strong brand portfolio with long-term licenses and a proven ability to attract new licenses.

We have high revenue visibility as a result of our strong brand portfolio anchored by long-term licenses with some of the most recognizable brands in the eyewear industry, including Tom Ford, Guess, Roberto Cavalli and

Diesel. As of December 31, 2016, the average length of our relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 19 years. For the twelve months ended September 30, 2016, 85.3% of our net revenues were generated by sales under our top ten licensed brands by net revenues. As of December 31, 2016, our licenses had a weighted average remaining term of 8.3 years. Furthermore, for the year ended December 31, 2015, 63.6% of our net revenues were generated by products under our five licenses with at least six years of residual life (beyond 2023) and our four proprietary brands, while only three of our licenses expire in 2017 (representing 1.6% of our net revenues for the year ended December 31, 2015), seven licenses expire in 2018 (representing 21.0% of our net revenues for the year ended December 31, 2015), three licenses expire in 2019 (representing 2.4% of our net revenues for the year ended December 31, 2015), three licenses expire in 2020 (representing 6.9% of our net revenues for the year ended December 31, 2015), three licenses expire in 2021 (representing 4.4% of our net revenues for the year ended December 31, 2015) and none expire in 2022.

The strength of our brand portfolio provides the foundation for our success and we believe the strength of that portfolio is attributable to our strong reputation among licensors as a valued partner with a proven ability to deliver brand equity enhancement through capturing and translating each brand's essence into eyewear products while respecting and preserving each licensor's brand identity. We believe this ability to enhance brand equity is the primary reason we enjoy long-term relationships with our licensed brands and why we have added 14 licensed brands to our portfolio since 2009 (eight of which were added as a result of the Viva Acquisition), entered into six additional new licenses, renewed eight of our existing licenses and have not lost any of our licensed brands to our competitors. We believe our unique attention to licensor's interests, our best-in-class product design capabilities and our distribution network's scale make us a preferred licensee for potential partners and creates even greater opportunities for us to further develop existing relationships, and attract new licenses in the future, with a focus on brands with eyewear accessory lines that have international awareness. and generate (or have the potential to generate) between €30 million to €100 million in annual net revenues for us.

Diversified and well-balanced brand and product portfolios.

We have a diversified portfolio of 26 licensed and four proprietary brands balanced between luxury and diffusion brands that appeal to a wide range of demographic groups. For the twelve months ended September 30, 2016, 49.6% of our net revenues were generated from our luxury category, which offers high-fashion, innovative designs, personalization and high-quality materials. The remaining 50.4% of our net revenues for the twelve months ended September 30, 2016 were generated from our diffusion category, which offers stylish eyewear at a more affordable price. Due to the segmentation of our offering into luxury and diffusion brands we are able to offer a wide array of eyewear at various price options, suitable for wholesale distribution through different channels, including independent opticians throughout Europe, department stores from Bloomingdale's to Kohl's in the United States and retail stores of our licensors. We believe that the balance of our offering between luxury and diffusion brands with their differing price points and distribution channels balances our appeal to a wide range of demographic groups and offsets the potential cyclicality of the luxury industry.

Our product offering is also evenly balanced between prescription frames and sunglasses. For the twelve months ended September 30, 2016, 51.4% of our net revenues were generated by sales of prescription frames, with the remainder generated by sales of sunglasses. We believe that this even balance serves to insulate us somewhat from economic downturns since prescription frames are less discretionary purchases leading to a more constant stream of sales.

High free cash flow generation due to limited capital expenditures and working capital requirements.

Our business is highly cash generative as demonstrated by performance for the years ended December 31, 2014 and 2015. For the years ended December 31, 2013, 2014 and 2015, our Operating Free Cash Flow was €8.8 million, €27.4 million, and €33.4 million, respectively, growing at a CAGR of 95.3% between the years ended December 31, 2013 and 2015. This strong performance is underpinned by stable margins, the limited capital expenditure requirements of our wholesale business model and our management's attention to working capital management. Our Adjusted EBITDA was €26.2 million and €50.3 million for the year ended December 31, 2013 and for the twelve months ended September 30, 2016, respectively, growing at a CAGR of 26.7%. Our Adjusted EBITDA margins were 12.4%, 12.1% and 11.5%, respectively, for the year ended December 31, 2013, 2014 and 2015. Furthermore, our business generally requires limited capital expenditures and a significant portion of our cash out-flows have been related to one-off payments for license renewals, including the early renewal of our Tom Ford license until 2029.

Experienced management team backed by committed shareholders.

Under PAI's leadership we have built a senior management team of individuals with extensive experience in the consumer products and fashion industry. Our managers have experience in, among other areas, financial planning and control, wholesale management and licensing with leading listed and non-listed companies that are active on a global level. In addition, a number of managers with experience in the Americas (our largest market) and extensive knowledge of eyewear industrialization have joined our Group management teams. Our management team has successfully led the transformation of the Issuer into one of the world's largest eyewear wholesale players, which has been accomplished, in part, through the expansion of our license portfolio through both the renegotiation and extension of certain licenses (such as Tom Ford, TOD's, Roberto Cavalli, Diesel, Montblanc, Swarovski, DSquared2 and Timberland) and the acquisition of new licenses and supply agreements such as (Balenciaga, Zegna, Pucci, Omega and Moncler) won from some of our competitors. Our management team also successfully completed the Viva Acquisition and the integration of the Viva Group, which expanded our global presence (particularly in the United States) and by entering into successful controlled joint ventures in China, Russia and Nordic Europe, and generated significant cost savings synergies for the Group. Furthermore, the management team has, over the last four years significantly expanded our in-house *Made in Italy* production capacity and rationalized our integrated operational model.

This experienced management team is backed by committed shareholders that include members of the Marcolin family, who remain active in our business by serving in managerial positions. This continuity preserves our heritage as one of the oldest luxury eyewear manufacturers in the world. Furthermore, we benefit from the support of PAI, one of the oldest and most experienced private equity firms in Europe as well as the Della Valle family, which is the controlling shareholder of TOD's and Red Circle Investments, which owns the fashion brand Diesel. Additionally, following the Marcolin Capital Increase, we will have the support of LVMH, one of the largest and most well-known luxury brand conglomerates in the world.

Our Strategies

We intend to further strengthen our position as a leading wholesale eyewear company by focusing on the following strategic pillars:

Leverage our balanced geographic presence and integrated business model to expand in existing markets and further develop global distribution reach in new and emerging markets.

We have extensive distribution networks in the mature markets of North America and Europe and we intend to maintain a strong foothold in these markets and leverage our know-how to expand further, including through entering into new controlled joint ventures in Northern Europe. In addition, we intend to pursue organic growth opportunities in fast-growing emerging markets, where we believe consumer demand for branded products will increase. We expect that our balanced geographic presence and integrated business model both place an emphasis on proximity and responsiveness to consumers that will help us effectively enter emerging markets in Latin America, Asia and the Middle East and then increase revenues in those markets. One way we aim to accomplish this is through joint ventures in both China and Russia (formed at the end of 2014) and a planned controlled joint venture in the Middle East (expected to be formed by the end of 2017), which will help us enter and develop those markets. In addition, to foster consumer demand in emerging markets, we will work closely with our licensors to further increase brand awareness through targeted advertising campaigns and in-shop displays. We also believe that the travel segment of the wholesale distribution channel (i.e. airport duty-free shops) can function as an entry point to increase revenues in emerging markets, and we expect to increase our presence in these locations.

Focus on expanding our portfolio with distinctive brands offering target net revenues for us of between €30 million and €100 million annually.

We intend to continue to develop our successful business model of providing collections in a variety of styles, materials and colors to distinctive brands with high commercial potential in eyewear, generally with target net revenues between €30 million and €100 million for us annually. For luxury brands, we will continue producing *Made in Italy* pieces that seek to translate each licensed brand's unique identity into eyewear. For diffusion brands, we intend to continue to offer consumers compelling propositions of style and value. We believe establishing the eyewear collection for some of our largest brands and continuing to grow them as formidable, recognized and profitable brands in the eyewear accessory line has contributed to raising awareness among consumers for these brands, and therefore, increased consumer loyalty and brand value. We believe our track

record can help us develop other luxury and diffusion brands that have yet to establish eyewear collections or are otherwise dissatisfied with their current licensee. In addition, our ability to produce, industrialize and distribute eyewear in the diffusion brand category can be attractive to licensors seeking to complement their offering and reach mass-market consumers. We have recently signed a new long-term license agreement with Moncler and a supply agreement with Omega. We review our portfolio on a regular basis, and have discontinued two of our proprietary brands since 2013 that overlapped with the operations of our other proprietary brands. We will continue to focus on licensed brands that have broad consumer appeal or target selective and profitable niches, such as Moncler, and will also gain indirect access to an increased portfolio of luxury brands through the M/L JV. We seek to maintain or increase gross margins for our luxury and diffusion brands, and we intend to monitor and tailor our brand portfolio for optimal performance.

Maximize operational efficiency.

We believe our integrated business model provides maximum control over our operations, allows us to quickly respond to consumer demands and has contributed to margin preservation. We intend to continue to maximize the efficiency of our procurement, production and distribution functions. The integration of the Viva Group into our Group has allowed us to extract certain cost savings through rationalizing general and administrative costs, especially in countries where both Marcolin and Viva already had a direct presence. Since that integration effort is complete, the maximizing of our operational efficiency will now focus on ways in which we can move product from consumer input to design concepts and into individual POS. One way to do this is to improve the methods whereby our sales teams, which have the greatest visibility on consumer trends, are able to communicate their view of the market to our design and procurement teams. Additionally, we believe further improving our procurement, production and assembly efficiency can continue to help us maximize revenue volumes and preserve margins while limiting our exposure to changing fashion trends and inventory leftovers. We have already begun to accomplish these objectives through the expansion of our in-house production capacity at our new Fortogna facility (to which we have relocated production from our Italian suppliers) as well as taking improving trade receivables collection. Finally, we will continue to work on improving our logistical organization and improve customer fulfillment of orders.

Exploit growth opportunities of M/L JV.

The M/L JV is strategically important for us. It strengthens, indirectly, our luxury brand portfolio by giving us the opportunity to apply our design, industrialization, manufacturing and distribution know-how to luxury LVMH brands, including Céline and Louis Vuitton, which have previously been designed and manufactured by some of our largest competitors. The M/L JV is being formed with the aim of becoming the preferred partner of LVMH in the eyewear business. The primary purpose of the M/L JV will then be to strengthen LVMH's eyewear business by enhancing the creativity and innovation of the designs of the licensed brands through the application of our know-how, thereby improving the overall brand equity and luxury positioning of LVMH. Therefore, we believe dividends from the M/L JV provide us additional cash-generating opportunities as the M/L JV leverages the increased strength of the brand equity of well-known brands in the LVMH family. M/L JV will be headquartered in Longarone where it can take advantage of synergies afforded by our manufacturing and operational infrastructure and where it can eventually expand into its own production facilities in the future. The M/L JV will aim to maximize these synergies to achieve an improved time-to-market, once design and production of the initially licensed LVMH brands begins in 2018. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*."

Maintain disciplined financial strategy, focus on cash generation and reduced leverage.

We have historically achieved high levels of Adjusted EBITDA with an Adjusted EBITDA margin of 11.3% for the twelve months ended September 30, 2016 and an average Adjusted EBITDA of €40.1 million for the years 2013, 2014 and 2015. We intend to focus on cash generation and operationally reducing our leverage through improving working capital practices and aggressively monitoring cash flow management. The New Revolving Credit Facility, which we expect will have available drawings of €30.0 million after the Refinancing, will maintain a liquidity cushion for on-going business needs. Leveraging our limited capital expenditures, combined with our disciplined financial strategy, we intend to focus on cost reduction and efficiency improvement opportunities. Furthermore, we intend to prudently evaluate any future opportunities for strategic growth of our licensed brand portfolio that have clear potential to be EBITDA-accretive.

Our History

We were founded in 1961 by Giovanni Marcolin in Cadore, an area in the Veneto region of Italy with a historic tradition of artisanship in the eyewear industry dating back to the first workshop for eye spectacles in Italy which

was established there in 1877. Our first production (under the *Fabbrica Artigiana* trademark) focused on gold laminated arms for eyeglasses using doublé laminé, an alloy combining the aesthetic of gold with the strength of other metals such as copper, silver or palladium. In 1967, we opened a factory in Vallesella di Cadore to accommodate the production of our first line of prescription frames. In the following years, we entered into distribution agreements and established branches to market our products outside of Italy, notably in the United States (1968), France (1976), Germany (1976) and Spain (1986). In 1985, our production plant was moved to Longarone, where we are currently based.

In 1989, we acquired our first licensed brands in what would become an extensive portfolio of luxury and diffusion brands through acquisitions of companies holding the licenses to produce eyeglasses bearing the Mila Schoen and Lancetti brands. In the 1990s and 2000s, luxury and diffusion brands were added to our portfolio through a series of license agreements. In 1999, we signed a license agreement with Roberto Cavalli and, in 2001, with Montblanc, followed by various others, including Tom Ford in 2005, Diesel in 2010, Ermenegildo Zegna in 2013 and Moncler in 2015. Many of these agreements have been subsequently renewed.

In 1999, we became a public company through a listing on the Italian Stock Exchange. We also focused on expanding our geographic reach through distribution agreements and new subsidiaries and through selective acquisitions such as that of Cébé in France (1999) and Creative Optics in the United States (2001). In December 2012, we were acquired by funds advised by PAI Partners for aggregate consideration of €261.2 million for 100% of our ordinary shares, consisting of the purchase of a majority stake in our share capital from our former controlling shareholders and a subsequent mandatory tender offer from public shareholders resulting in the de-listing of our ordinary shares from the Italian Stock Exchange. Certain managers and former shareholders, including Andrea Della Valle and Diego Della Valle and certain members of the Marcolin family, remain indirect shareholders of Marcolin.

In 2013, we acquired the Viva Group, a then-leading eyewear wholesale designer and distributor of distinctive eyewear, and the second largest U.S.-based eyewear wholesale player. The Viva Group represented a strategically important acquisition for Marcolin, adding a portfolio of leading diffusion brands to Marcolin's existing portfolio. Our business now benefits from diversified operations balancing a leading position in sunglasses with a complementary leading position in prescription frames and a significantly expanded distribution network in the United States and certain other markets with a wider product offering. Since completing the Viva Acquisition, and as part of integrating the Viva Group into the Group, we have strategically restructured and integrated our sales, manufacturing and distribution operations in the United Kingdom, Asia, France, Brazil and North America to reduce production times and maximize the synergies and economies of scale afforded by the Viva Acquisition. These efforts have strengthened our position as one of the leading global designers, manufacturers and distributors of branded sunglasses and prescription frames.

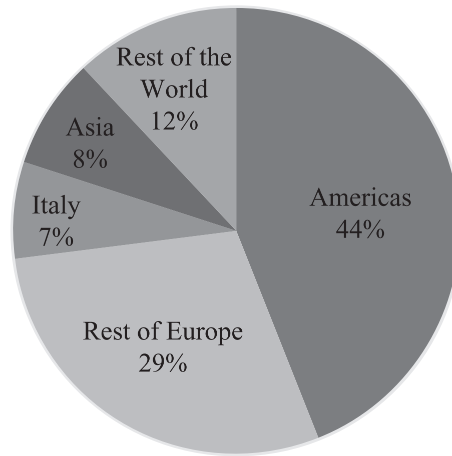
Our Business

We operate in the sunglasses and prescription frames segments of the eyewear industry and we design, produce and distribute products bearing a variety of brands that cater to different demographics. Our present business model focuses on licensed brands, though we also maintain four proprietary brands. We forge close and long-term relationships with our licensed brands and create value by combining specialized product development methodologies, *Made in Italy* design and the latest industrial know-how. For the twelve months ended September 30, 2016, approximately 48.6% of our net revenues were generated by sales of sunglasses and approximately 51.4% were generated by sales of prescription frames. We further separate our eyewear products into the following categories:

- **luxury brands:** high-end products distinguished by their exclusivity and distinctiveness (or consumer perceptions thereof) influenced by fashion and often characterized by a higher retail price; and
- **diffusion brands:** products influenced by market trends positioned in the mid- and upper-mid price segments targeting a wider customer base.

For the twelve months ended September 30, 2016, approximately 49.6% of our net revenues were generated by sales of luxury brand eyewear and approximately 50.4% of our net revenues were generated by sales of diffusion brand eyewear. For the twelve months ended September 30, 2016, we sold 2,817 thousand units of luxury brand eyewear and 11,285 thousand units of diffusion brand eyewear.

Our core markets are Europe, the Americas and Asia. The chart below displays the breakdown of our net revenues for the twelve months ended September 30, 2016 by geographic segment.



Our Licensed Brands

Our portfolio of licensed brands, comprised of brands from many of the leading brands around the world, targets broad demographics, lifestyles and interests from traditional, casual elegance to haute couture. Our licensed brand portfolio has historically been dynamic; we have gained a number of new licensed brands in recent years and we have also transitioned out certain licensed brands which we believed were no longer in line with our strategy of focusing on top-end luxury and diffusion brands. A number of licenses are bundled and include both flagship brands as well as niche and regional brands. For the year ended December 31, 2015, approximately 97.9% of our net revenues were generated by sales of licensed brand products, with 85.3% of our net revenues for the twelve months ended September 30, 2016 generated under our top ten licensed brands, by net revenues. The average residual life of our licenses was 8.3 years as of December 31, 2016 and approximately 63.6% of our net revenues for the year ended December 31, 2015 were generated by sales of products under licenses with more than six years of residual life. As of December 31, 2016, the average length of our relationship with our top ten brands by net revenues, measured to the date of the expiration of the current license agreements, was 19 years.

We focus on top brands with international recognition and resonance with key demographics with target annual net revenues for us of €30 million to €100 million. Generally we only seek exclusive worldwide licenses, however, given the size and importance of the United States market, we have obtained a number of U.S.-only licenses, including Covergirl and Kenneth Cole. Our brand portfolio reflects a strategy to capitalize on the consumer segments we believe will be most commercially attractive, including high-end, luxury brands such as Tom Ford, Ermenegildo Zegna, Roberto Cavalli, Moncler, Montblanc, Omega and Pucci and diffusion brands with high commercial appeal, such as Diesel and Timberland that cater to younger and lifestyle consumers.

The table below presents certain information regarding our licensed brand portfolio.

	Date of first license	Categories of products	Exclusive license?(1)
	Luxury brands		
Balenciaga	2013	Sunglasses, prescription frames	✓
Dsquared2	2008	sunglasses, prescription frames	✓
Emilio Pucci	2015	sunglasses, prescription frames	✓
Ermenegildo Zegna	2013	sunglasses, prescription frames	✓
Moncler	2016	sunglasses, prescription frames	✓
Montblanc	2001	sunglasses, prescription frames	✓
Omega(2)	2016	sunglasses	✓
Roberto Cavalli	1999	sunglasses, prescription frames	✓
TOD'S	2008	sunglasses, prescription frames	✓
Tom Ford	2005	sunglasses, prescription frames	✓
	Diffusion brands		
Bongo	1998	prescription frames	✓(3)
Candie's	1998	sunglasses, prescription frames	✓(3)
Catherine Deneuve	1995	sunglasses, prescription frames	✓
Covergirl	2001	prescription frames	✓(4)
Diesel	2010	sunglasses, prescription frames	✓
Gant	2001	sunglasses, prescription frames	✓
Guess	1991	sunglasses, prescription frames	✓
Harley-Davidson	2003	sunglasses, prescription frames	
JustCavalli	2004	sunglasses, prescription frames	✓
Kenneth Cole	2003	sunglasses, prescription frames	✓(4)
Rampage	2008	prescription frames	✓(5)
Skechers	2009	sunglasses, prescription frames	✓
Swarovski	2009	sunglasses, prescription frames	✓
Timberland	2003	sunglasses, prescription frames	

(1) License to sell, distribute, advertise and promote is exclusive worldwide, unless otherwise indicated.

(2) Our Omega relationship is limited to a supply agreement for the eyewear collection of the internationally recognized luxury brand Omega.

(3) License to sell, distribute, advertise and promote is exclusive throughout the United States, Canada, Caribbean, the European Union, Mexico, Central America and South America; license to manufacture in China is non-exclusive.

(4) The licenses for our Kenneth Cole brand is limited to the United States while the license for the Covergirl brand is limited to America.

(5) The license for the Rampage brand is limited to the United States, Canada, Caribbean, European Union, Mexico, Central America and South America.

The following presents a brief description of each of our licensed brands.

Luxury Brands

Balenciaga. Under the Balenciaga brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €210 to €450. The Balenciaga brand was our first collection of luxury eyewear for women and launched in November 2013. Balenciaga's look is the combination of haute couture and ready-to-wear, and its creations are characterized by avant-garde look with contrasting colors. Our Balenciaga eyewear features metal and acetate styles in a variety of colors and shapes. The primary target demographic for Balenciaga eyewear are women over 30.

Dsquared2. Under the Dsquared2 brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices generally ranging from €87 to €270. Dsquared2 eyewear offers a sophisticated, hip and international look with Italian craftsmanship combined with North American and English influences as embodied by the brand's motto "Born in Canada, Living in London, Made in Italy." Dsquared2 pieces include metal and acetate in iconic shapes such as the unisex Aviator and a selection of retro-chic horn rimmed prescription frames for women. The primary target demographic for Dsquared2 eyewear are women between the ages of 16 to 35.

Emilio Pucci. Under the Pucci brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €160 to €270. Pucci's look is characterized by bright colors and

energetic designs that mimic contemporary art forms and Mediterranean landscapes that reflect modern trends while maintaining continuity with classic, refined fashion. The primary target demographic for Pucci eyewear are women over 30.

Ermenegildo Zegna. Under the Ermenegildo Zegna and Zegna Couture brands, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €160 to €390 for Ermenegildo Zegna frames and €360 to €950 for Zegna Couture frames. The initial Zegna collections were launched in January 2015. Our Zegna eyewear is characterized by quality materials and innovative technological production processes, the innovation and evolution of the look and an adherence to the Zegna tradition of style and the well-being of the people involved in the production process. The primary target demographic for Zegna eyewear are men between 30 and 50.

Moncler. Under the Moncler brand, we design, produce and distribute sunglasses and prescription frames ski eyewear for women, men and children with retail prices ranging from €180 to €390. Moncler's look is inspired by its functional activewear roots with an innovative injection of high-fashion styling and finishing. We also anticipate the release of a line of Moncler branded hybrid ski eyewear in 2017. The primary target demographic for Moncler eyewear are men and women between 30 and 50.

Montblanc. Under the Montblanc brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €100 to €760. Our Montblanc eyewear embodies the timelessness, refined luxury and quality of *Made in Italy* craftsmanship. Every piece features the brand's distinctive snow cap logo. Montblanc sunglasses and prescription frames feature refined detailing and the creative use of carefully selected materials. The primary target demographic for Montblanc eyewear are men over 35.

Roberto Cavalli. Under the Roberto Cavalli brand, we design, produce and distribute unisex sunglasses and prescription frames for women with retail prices ranging from €160 to €650. Roberto Cavalli's look is non-conformist and free, sensual and seductive; inspired by a love for nature and his unbridled creativity featuring animal, flower motifs, feline spots and jungle themes. Roberto Cavalli eyewear collections express the brand's distinctiveness with technical and artistic touches, including models embellished by ornaments and stones and a variety of colors and prints aligned with the latest fashion trends. The primary target demographic for Roberto Cavalli eyewear are women over 30.

Tom Ford. Under the Tom Ford brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices generally ranging from €110 to €650. Tom Ford eyewear is meticulously handcrafted in Italy, complete with sophisticated touches and exudes the iconic, everyday luxury, glamour and exclusivity that has helped the brand gain worldwide renown. Our Tom Ford eyewear offering features rich acetates with metalworking accents, clean linear shapes and minimalist metal shapes with a strong vintage inspiration. The primary target demographic for Tom Ford eyewear are women and men over 25. In 2006, Tom Ford was awarded the Accessories Council Excellence Award for the category "Best Accessory Brand Launch of the Year" in recognition of Tom Ford eyewear's contribution to brand excellence.

TOD'S. Under the TOD'S brand, we design, produce and distribute unisex sunglasses and prescription frames with retail prices ranging from €90 to €363. TOD'S eyewear features an international tastes as interpreted by Italian style with a modern and timeless essence. With a wide-ranging color palate in both metal and acetate, TOD'S eyewear features interesting shapes for greater expression of personality, such as women's cat eye and butterfly-shaped sunglasses. The primary target demographic for TOD'S eyewear are women and men over 35.

New Luxury Licensed Brands

In July 2016, we commenced production following a new partnership to co-design and supply the eyewear collection of the internationally recognized luxury brand Omega. The target demographic of Omega eyewear will be middle-aged men. In addition, on January 31, 2017 we entered into the M/L JVA with LVMH pursuant to which M/L JV will aim to become the preferred partner of LVMH in the eyewear business. We will own 49% of M/L JV's capital shares and will contribute design, industrialization, manufacturing and distribution know-how and certain fully dedicated staff to its operations. Initially we will enter into a license agreement to design, manufacture and distribute Céline branded eyewear, effective beginning in 2018, and a supply agreement for Louis Vuitton branded eyewear. See "*Forward-Looking Statements*" and "*Summary—Recent Developments—Joint Venture with LVMH*."

Diffusion Brands

Bongo. Under the Bongo brand, we design, produce and distribute prescription frames for women with retail prices around $130 (€116). Bongo eyewear is influenced by California-casual and relaxed but stylish. Our Bongo offering features metal, acetate and plastic injected models, with oval shapes, trendy colors and detailed patterns. The primary target demographic for Bongo eyewear are young women between the ages of 15 to 30.

Candie's. Under the Candie's brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from $67 to $152 (€60 to €134). Candie's eyewear is imbued with pop culture and each year a certain young entertainer or actress, such as Fifth Harmony in 2015, Bella Thorne in 2014 and Carly Rae Jepsen in 2013, serves as the spokesperson for the brand. Candie's eyewear is influenced by California-casual and is relaxed but stylish. Candie's offering features handmade acetate models accented with metal finishings, cat eye and oval shapes and rich patterning on the temples. The primary target demographic for Candie's eyewear are women between the ages of 15 to 30.

Catherine Deneuve. Under the Catherine Deneuve brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices ranging from €94 to €125. Catherine Deneuve eyewear is inspired by the elegance and timelessness of the French actress whose name the line bears. Our Catherine Deneuve offering features clean, elegant shapes in acetate and metal, and some models incorporate laser-etched detail patterns on the temples. The primary target demographic for Catherine Deneuve eyewear are women ages 50 and over.

Covergirl. Under the Covergirl brand, we design, produce and distribute prescription frames for women with retail prices ranging from $102 to $165 (€91 to €147). Covergirl eyewear is fun and youthful. Our Covergirl license is limited to the United States market and our offering features both plastic injected and acetate models. The primary target demographic for Covergirl eyewear are women between the ages of 18 to 24.

Diesel. Under the Diesel brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €85 to €180. The Diesel collections are unisex in style and consist of both prescription frame models and sunglasses models in plastic injected, acetate and metal. The Diesel collections are developed by design clusters, with a wide offer of sellable yet distinctively Diesel styles characterized by strong and innovative features. Our Diesel eyewear collections sell particularly well among young men and women between ages 18 to 35 looking for a unique and independent style. Our Diesel license includes the brand 55DSL, the original Italian street wear brand characterized by its lively and provocative identity and dedicated to the "teen" demographic.

Gant. Under the Gant brand umbrella, we design, produce and distribute prescription frames and sunglasses for women and men under two labels, Gant and Gant Rugger with retail prices ranging from €98 to €175. Gant eyewear is retro and classic recalling the 1960s heyday of fashion house's Americana clothing line with smooth and elegant shapes in acetate with simple metal accents. Gant Rugger features bold and retro shapes with a soft, sunny, earth tone color palette in handmade acetate. The primary target demographic for Gant eyewear are women and men between the ages of 30 to 60.

Guess. Under the Guess, G by GUESS and Marciano brands, we design, produce and distribute prescription frames and sunglasses for both children and adults with retail prices ranging from €30 to €190. Guess is a youthful and iconic brand and our Guess eyewear is imbued with this casual sophistication. Guess eyewear features classic and retro shapes, with prominent acetate and metal frames. The primary target demographic for Guess eyewear are children aged eight and older and adults up to the age of 50.

Harley-Davidson. Under the Harley-Davidson brand, we design, produce and distribute prescription frames and sunglasses for both children and adults with retail prices ranging from €110 to €180 for adult prescription frames and sunglasses and starting from €16 for children's sunglasses. Harley-Davidson eyewear draws inspiration from the pursuit of the open road and a rebel's love of challenging the status quo. Our Harley-Davidson eyewear is known for its classic sunglasses with chrome metal rivet details and prominent double bridge that recalls a motorcycle's handlebars. The target demographic for Harley-Davidson eyewear are children ages 8 and older and men and women of all ages.

JustCavalli. Under the JustCavalli brand, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from €109 to €179. JustCavalli is a distinctive and innovative contemporary brand, positioned in the diffusion segment and dedicated to a young, urban audience with

individual style. JustCavalli eyewear combine urban attitude and fashion trends with edgy design, an iconic play of plain colors and youth-inspired animalier combinations. The primary target demographic for JustCavalli eyewear are women and men between the ages of 18 to 35.

Kenneth Cole. Under the Kenneth Cole, Kenneth Cole New York, and Kenneth Cole Reaction brands, we design, produce and distribute sunglasses and prescription frames for women and men with retail prices ranging from $10 to $232 (€9 to €207). Our Kenneth Cole license is limited to the United States market and our offering features both plastic injected and metal models in sleek and geometric shapes and classic colors. The primary target demographic for Kenneth Cole eyewear are women and men between the ages of 20 to 35.

Rampage. Under the Rampage brand, we design, produce and distribute prescription frames for women with retail prices ranging from $141 to $165 (€126 to €147). Rampage is a contemporary women's lifestyle brand with a strong California heritage. Our Rampage eyewear offering features acetate and metal frames in rectangular and cat eye shapes with intricate temple details and subtle logo treatments. The primary target demographic for Rampage eyewear are women between the ages of 25 to 40.

Skechers. Under the Skechers brand, we design, produce and distribute sunglasses and prescription frames for men, women and children with retail prices ranging from €68 to €111. Skechers is designed to appeal to broad demographics, and mainly exudes a trendy, sporty and urban feel with a strong California heritage. Our Skechers offering features classic shapes and everyday color palette with models in metal, acetate and plastic. The primary target demographic for Skechers eyewear are children ages 8 and older, and women and men up to the age of 60.

Swarovski. Under the Swarovski brand, we design, produce and distribute sunglasses and prescription frames for women with retail prices generally ranging from €60 to €265. Swarovski eyewear personifies a delicate, luxurious aesthetic with precision-cut crystal accent pieces. Swarovski eyewear incorporates clean lines, slender frames and earth tones in metal and acetate. The primary target demographic for Swarovski eyewear are women over 40.

Timberland. Under the Timberland brand, we design, produce and distribute sunglasses and prescription frames for men with retail prices ranging from €95 to €149. For each collection, we draw inspiration from America's New England geography and spirit of ingenuity. Timberland eyewear collections embrace the core heritage in craftsmanship, outdoor utility and the environmental awareness of its target audience. We have developed specific Timberland models to support active lifestyles, for example, wrap-around sports sunglasses. The primary target demographic for Timberland eyewear are men over 30.

Our Proprietary Brands

In addition to our licensed brands, we also design, produce and distribute eyewear products bearing our proprietary brands, Marcolin, National, Viva and Web. Our proprietary brands benefit from Marcolin's long history in the eyewear design marketplace and our knowhow from collaborating with leading design houses. In terms of market positioning, all four are diffusion brands. Marcolin and National are marketed and sold by Marcolin USA only. We review our portfolio on a regular basis, and we have discontinued two of our proprietary brands since 2013 that we felt no longer resonated with consumers or otherwise did not maintain attractive margins. For the year ended December 31, 2015, approximately 2.3% of our net revenues were generated by sales of proprietary brand products.

The following presents a brief description of each of our proprietary brands.

Marcolin. Under the Marcolin brand, we design, produce and distribute prescription frames for women and men with retail prices of approximately $111 (€99). Marcolin is a value-focused diffusion brand with a competitive value proposition of sophisticated yet affordable style. The Marcolin brand targets a broad range of consumers with a wide mix of product styles, colors and sizes in plastic, metal and acetate.

National. Under the National brand, we design, produce and distribute prescription frames for women and men with retail prices of approximately $84 (€75). National is a value-focused diffusion brand that Jobson Research shows is among the leading eyewear collections for managed care products. National features classic shapes in plastic and metal with a traditional color palette to appeal to a broad range of consumers.

Viva. Under the Viva brand, we design, produce and distribute prescription frames for women and men with retail prices of approximately $97 (€86). Viva eyewear is inspired by all-American lifestyle and classic, casual elegance. Pieces come in acetate and metal with accent touches such as Swarovski crystals and metal temple treatments.

Web. Under the Web brand, we design, produce and distribute sunglasses and prescription frames for women and men under two labels, Web and W, with retail prices ranging from €60 to €219. Web eyewear is inspired by the icons of 1930s America and the pioneers of aviation, with travel-themed models in iconic shapes and acetate and metal materials, with a distinctly vintage elegance. Web eyewear celebrates life, travel and the capacity to enjoy new experiences. The primary target demographic for Web eyewear are women and men between the ages of 25 to 40.

The M/L JV

On January 31, 2017, we entered into the M/L JVA with, LVMH. The M/L JVA governs the specifics of the M/L JV Formation (as detailed in "*Summary—Recent Developments—Joint Venture with LVMH*") as well as the activities of the M/L JV. The M/L JVA is governed by Italian law. The M/L JVA also governs (i) the transfer of M/L JV's shares, (ii) the nomination and conduct of the board of directors of M/L JV and (iii) certain options over the shares of M/L JV held by each of LVMH and the Issuer.

M/L JV Activities

M/L JV will be headquartered in Longarone, where it can take advantage of synergies afforded by the Issuer's manufacturing and operational infrastructure both for short-term design and production needs as well as in the case of future expansion of production. M/L JV will also have offices in Milan and Paris (or another location determined by the board of directors of the M/L JV) to attract talented designers and be close to the brands it will service. Through M/L JV, the Issuer will apply its design, industrialization, manufacturing and distribution know-how to certain LVMH brands with the goal of strengthening LVMH's eyewear business by enhancing the creativity and innovation of their designs, thereby improving the brand equity and luxury positioning of LVMH. M/L JV will also act as a potential platform for the development of partnerships with strategic suppliers, for the acquisition of advanced innovative design and production techniques.

M/L JV will have a fully dedicated design and prototyping team and will aim to create fully dedicated commercial teams in various countries.

During the start-up phase of M/L JV and pursuant to one or more arms-length shared services agreements expected to be entered into in connection with the M/L JV Formation (the "**JV Shared Services Agreements**"), the Issuer will provide M/L JV with certain operational services, including, but not limited to, information technology, manufacturing and supply chain services (including after-sales services) as well as other additional services that may be agreed between the Issuer and M/L JV from time to time. See "*Related Party Transactions—Transactions with M/L JV*." In addition to the JV Shared Services Agreements we may, from time to time, enter into further arms-length commercial relationships with M/L JV.

M/L JV is being established with the purpose of becoming the preferred partner of LVMH in the eyewear business. LVMH brands include Berluti, Loro Piana, Givenchy, Bulgari, Marc Jacobs, Kenzo, Fendi, Dior, Loewe, Céline, Louis Vuitton and Tag Heuer. Pursuant to the M/L JVA, LVMH will initially, enter into licenses with M/L JV for the design, production, distribution and sale of eyewear for LVMH's Céline brand, which will become effective as from January 1, 2018, and a supply agreement for certain Louis Vuitton eyewear, with the opportunity to expand into other LVMH brands in the future.

In total, we estimate our equity contributions to the start-up costs, capital expenditures and working capital requirements of M/L JV will be between €20 million and €25 million over the course of the next four to five years, of which we expect to fund approximately €7 million in 2017. Pursuant to the M/L JVA, the capital requirements of M/L JV will be funded as and when required by (i) direct or indirect *pro rata* equity contributions by the Issuer and LVMH and/or (ii) debt financing incurred by M/L JV for a maximum amount of €45 million (or 50% of M/L JV's financing needs), which is expected to be non-recourse with respect to the Issuer and its restricted subsidiaries.

M/L JV Governance

Pursuant to the M/L JVA, M/L JV's board of directors will be composed of six members comprised as follows: (i) three (including the chairman of the board) appointed by LVMH; (ii) two appointed by the Issuer; and (iii) the chief executive officer, appointed by consensus of LVMH and the Issuer (who will initially be Giovanni Zoppas, who will serve simultaneously as the chief executive officer of M/L JV and the Issuer). M/L JV's board of directors is empowered to approve ordinary matters by simple majority vote, including, *inter alia*, the approval of

the annual budget, entering into debt financing and the payment of dividends in line with the dividend policy. Special matters, including, *inter alia*, amendments to, or early termination of, license agreements, changes to the dividend policy and forming subsidiaries, must be approved by a favorable vote of at least one board member appointed by LVMH and one member appointed by the Issuer. Any deadlock of the board will be resolved through mediation.

M/L JV is expected to, subject to capital expenditure requirements, pay a minimum of 50% and a maximum of 80% of its net profits as dividends to the Issuer and LVMH, in proportion to their ownership of M/L JV's share capital. Dividends will only be paid if M/L JV has sufficient net cash.

Options on M/L JV Shares

Pursuant to the M/L JVA between (i) June 30, 2028, and December 31, 2029 the Issuer may exercise a put option over all the shares it owns in M/L JV and (ii) between June 30, 2028 and June 30, 2029 LVMH may exercise a call option over 50% of the Issuer's ownership in M/L JV, representing 24.5% of the total share capital of M/L JV (the "**LVMH Initial Call**").

Furthermore, between June 30, 2031, and December 31, 2031 LVMH will have an additonal option to call 50% of the Issuer's ownership in M/L JV, representing 24.5% of the total share capital of M/L JV. Alternatively, LVMH has been granted a call option over 100% of the Issuer's shares of M/L JV to be exercised after June 30, 2029 and before December 31, 2031.

The M/L JVA prohibits the Issuer from transferring any of its shares of M/L JV to third parties until the later of the dates of above-mentioned call options have passed and December 31, 2031 or, should the call options have been validly and timely exercised, until the date on which the sale and transfer of the concerned shares have been completed (the "**Lock-up Period**"). After the expiration of the Lock-up Period, all transfers of the shares of M/L JV remain subject to the terms of the M/L JVA.

The price of each of the put and call options on M/L JV's shares exercisable by the Issuer and LVMH will be determined at the time of the exercise of the relevant option by an equation taking into account a multiple of the EBITDA and the net financial debt of M/L JV (the "**Option Price**").

Furthermore, upon (i) an IPO of the Issuer (a "**Marcolin IPO**"), or (ii) the sale of the majority of the Issuer's share capital or voting rights to a third party not satisfactory to LVMH or (iii) any other event (at any level of the chain of control over the Issuer) as a result of which a third party not satisfactory to LVMH becomes the direct or indirect controlling shareholder of the Issuer, LVMH will be entitled to exercise a call option on all shares of M/L JV at the Option Price.

In the event LVMH holds, at any time, more than 75% of the share capital or voting rights of M/L JV, the Issuer will forfeit its right to nominate together with LVMH the chief executive officer of M/L JV. If LVMH has acquired 75% of the share capital of M/L JV as a result of the exercise of the LVMH Initial Call, or if LVMH acquires 80% of the share capital of M/L JV, the Issuer will lose its veto rights on certain governance matters requiring one vote of the member of the board of directors of M/L JV appointed by each of the Issuer and LVMH.

Operations

Our integrated wholesale business model is organized to cover the entire value chain of product design, manufacturing and distribution of sunglasses and prescription frames. The chart below displays our value chain. We estimate that our entire design to market process typically takes approximately 12 months.

Each phase of our operations is informed by our decades of experience in the eyewear industry and structured to focus on quality and an understanding of our key stakeholders:

- ***our licensed brands:*** our product design and sale and distribution phases are coordinated closely in terms of style, look and materials with the rest of each licensed brand's collections to promote and maintain brand equity and positioning;
- ***our customers:*** as we operate as a wholesaler, we work closely with our customer base consisting of independent opticians, chains, managed care networks and flagship stores during the product design and sales and distribution phases to promote a range of products that maximize revenues per channel and are otherwise responsive to the business exigencies of our customers;
- ***our consumers:*** our product design, and manufacturing phases are influenced by the demands of our consumers for eyewear in tune with the latest fashion trends but are also appropriate for fitting and comfort; and
- ***our suppliers and craftspeople:*** our manufacturing phase for *Made in Italy* manufactured eyewear supports the artisanal tradition of Italy's northeast and for third-party manufactured eyewear, we coordinate closely with suppliers to harmonize value with quality and innovation.

Product Design

Our strength in product design is based in part on our long history in the eyewear industry, our in-house design capabilities and our ability to perceive, shape and cater to changing fashion trends and consumer preferences. Our product design team responsible for shaping our new collections consists of approximately 70 members, including designers and prototype engineers. We believe we are recognized by fashion brands seeking to diversify into the eyewear segment for our ability to capture and interpret a brand's "DNA" and translate it in the design of optical frames.

All of our licensed brands are managed independently of one another with their own design teams each under the direction of a head of design. Each of our licensed brands retains its own creative "voice" and expression, as its eyewear collection proceeds cohesively, as influenced by fashion trends, innovation and the rest of the fashion house's products.

Planning for a new seasonal collection begins one year prior to the commercialization of the relevant eyewear. Our product design process is characterized by close collaboration with our licensors, particularly in the case of luxury brands where stylists focus on designing collections that reflect the latest evolution of each brand's respective identity and incorporates Marcolin's research and development ("**R&D**"). See "*Business—Research and Development*." Our designers meet with our licensors to develop themes and fashion concepts that reflect the attributes of the licensor's brand and its market segment positioning, followed by, for certain brands, reviewing the latest innovations of third-party manufacturers to determine the look for the new collection. Product design commences with a hand-drawn sketch, which is then converted into a computer-rendered technical drawing. We then present the technical drawings to our licensors, and then work with our them to define colors, materials and styles. The preliminary costing analysis is performed at the time of prototype design to favor a balanced range of units at different price points. Following this process, technical drawings are selected and approved by our licensors. The computer-rendered technical drawing is then fabricated into a hand-finished prototype at our premises in Italy. This prototype is extensively analyzed and measured through laboratory and field-testing to ensure that it reflects the design integrity of the original sketch and that the fit of the eyewear for the wearer meets our standards.

The prototypes that have been approved by our licensors are then presented to our distributors and sales force who are able to provide their input and advice based on their experience of customer and consumer preferences in their specific markets, including, frames with slight structural variations aimed at enhancing comfort for consumers with various facial structures. We then incorporate any changes and improvements to our prototypes in response to the input from our sales representatives, distributors, managers and employees. Once prototypes are selected, additional costing analysis is performed in connection with the commercialization and industrialization of the units, forecasting, for example, price per component parts and finishing taking into account likely wholesale prices and go-to-market costs. Before full commercialization and industrialization, we conduct tests by units against our marginality objectives and determine run volumes based on, among other factors, the likely margin yield. Once the prototype is thoroughly tested and optimized, the design is translated into a hand-polished, steel injection-mold or a "tool" for handmade production. The entire product design phase for each new collection usually lasts three to four months.

We aim to continually introduce new models, update existing models and to maintain momentum and reflect the character of successful brands. The life cycle of eyewear in the mid-range to luxury eyewear market is short. The life cycle of sunglasses is about one year and of prescription frames two years, and models are generally updated every six months, though certain classic and contemporary models from our brands have been in production for years and continue to exhibit strong performance. The ability to constantly renew our product offerings, absorb, reflect and transmit new fashion and cultural influences is a key component in our continued success.

Manufacturing

Materials

Our sunglasses and prescription frames generally are produced using three different materials (or combination thereof): metal, acetate or plastic, each with its own manufacturing technology. Our product offering consists primarily of metal and acetate, though certain diffusion brands employ plastic.

Metal. Metals typically used in eyewear include mixtures of nickel, titanium, monel (an alloy of two-thirds nickel and one-third copper), stainless steel, silver and palladium. The manufacturing process for metal frames has approximately 10 phases, beginning with the production of basic components such as rims, temples and bridges, which are folded to create the component parts such as eye rims and temples. These components are then welded together to form frames over numerous stages of detailed assembly work. The unpolished frames subsequently undergo galvanizing and coloring processes during which the frames assume the colors of the new collection and are subsequently prepared for lens fitting and packaging. Metal frames are generally more expensive than other materials.

Acetate. Acetate, a propionate cellulose, also called Zyl, is produced from natural cotton fibers and tree pulp. Acetate material can be imbued with different colors and patterns. Layers of plastic are formed into a large block of cellulose acetate. The manufacturing process for acetate frames has approximately 15 phases, beginning with a computer-programed drilling machine that cuts the component eyewear pieces from large acetate sheets. After the pieces are cut, they are folded and hand polished to form the frame, which is then held together using hinges. The drilling machines can be easily reprogrammed and the machinery redeployed, therefore, acetate manufacturing is suitable for production of multiple lines of eyewear.

Plastic. Our plastic-injected eyewear is manufactured using a highly automated injection molding process. The manufacturing process for plastic- injected frames has approximately 10 phases, beginning with liquefied plastic resins injected into molds. When the mold cools, the plastic is solidified and forms the frame. The plastic parts are then assembled, colored and galvanized. Galvanization, the most machine-intensive phase of the production, is outsourced to third parties. Because the molds used for manufacturing plastic-injected eyewear must be specific to the particular model, we use plastic for our most high-volume models.

In-House Manufacturing

Our in-house manufacturing capabilities are concentrated at our state-of-the-art plants in Longarone and Fortogna in northern Italy, long considered the birthplace of the modern eyewear industry. We produce our own metal and acetate frames, though we outsource certain industrial stages of the production process within Italy, such as galvanization. Our manufacturing process in Italy emphasizes hand-crafted production, and our process engineers devise tailored production workflow plans for specific models that maximize production efficiency, reduce raw material use and draw on the complementary strengths of our approximately 300 craftspeople. Production tasks for eyewear include frame shaping, decorating, assembly, welding and polishing. For the twelve months ended September 30, 2016, we directly produced 2.8 million eyewear pieces. For metal, acetate and plastic eyewear, we also purchase basic components from suppliers in China. We estimate that for the year ended December 31, 2015, approximately 21.0% of our products carried the *Made in Italy* designation.

We believe that the purchase of the new Fortogna facility in 2015, and subsequent transfer of the acetate production division from the Longarone facility to the Fortogna facility, will double our *Made in Italy* production, making it possible to meet the demands arising from the influx of new brands in our brand portfolio and the structural expansion of some markets. By reallocating divisions between the two factories, we were able to update the production layout of the Longarone facility, overhaul the metal, product development and prototype divisions, open up floor space and purchase additional machinery to expand production capacity. The addition of the Fortogna facility and the overhaul of the Longarone facility maximize opportunities offered by the development of our luxury brands, reduces our dependence on external suppliers, enable us to reduce time to

market, shorten manufacturing lead time and realign the proportion of products manufactured domestically with that of our main competitors and manage the inflation risk in the Chinese sourcing market. See "*Business—Real Estate and Equipment*."

Third-Party Manufacturing

We also subcontract the entirety of the manufacturing phase for certain of our diffusion brands. In determining which third-party manufacturer to use for a particular frame, we consider each manufacturer's expertise (based on type of material and style of frame), its ability to translate design concepts into prototypes, its price per frame, its manufacturing capacity, its ability to deliver on schedule, and its ability to adhere to our quality control standards and quality assurance requirements. Our design product teams then provide the prototypes or design specifications for the products to be produced to the third-party manufacturers who are responsible for all aspects of the production, including purchasing raw materials and components. Following approval of final production samples, we purchase the finished products for resale. In 2016, we established a new subsidiary with a permanent presence in China to oversee the production and distribution of all Chinese-manufactured products required by the Group ("**MTS**"). Based in Shenzhen, Guangdong Province, China, this quality control team selects suppliers in China, performs quality controls and provides both general and technical manufacturing services at all stages of production.

The on-the-ground presence afforded by our subsidiary MTS in Shenzhen has created a partnership approach with a selected number of our Chinese manufacturers, streamlining the production and monitoring of our diffusion brand products and allowing us to, at each phase, more effectively monitor and respond to market trends, which we believe allows us to more quickly meet demand and, thereby, preserve margins. We also believe that such a partnership-based approach that integrates suppliers into our manufacturing planning process facilitates obtaining sufficient capacity to meet anticipated production requirements and promote efficient service. Though we do not enter into long-term agreements with our suppliers, we procure certain production capacity commitments for short-term periods which are then renewed frequently. As a result, we believe our suppliers are able to dedicate production lines to the manufacturing of our products and invest in plant efficiency based on our historical and anticipated purchases of their production capacity. In addition, as management believes that labor costs represent the majority of historical and anticipated rising costs, we believe that a partnership approach with a selected number of suppliers promotes investment in state-of-the-art equipment, more efficient labor capacity planning and therefore, has the potential to counteract rising labors costs.

Our supply agreements include provisions granting us the right to inspect the supplier's facilities, undertakings by the supplier to safeguard our intellectual property (including licenses, prototypes and knowhow) and undertakings by the supplier that it will comply with applicable laws, including related to workplace safety and environmental protection. While we do not have long-term agreements with these suppliers, we do not believe our relationship with any one supplier is material to our business. Rather, we believe that our annually-renewing supply agreements afford us leverage to renegotiate supply contracts at reduced prices in an increasingly competitive supplier market. See "*Risk Factors—Risks Related to Our Business—Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers*.

Sales and Distribution

Sales

We are a wholesaler of eyewear products and do not operate points of sale directly (apart from our Milan shop which sells eyewear year-round). Instead, we utilize a network of salespersons operating within our subsidiaries and controlled joint ventures, third-party distributors and external consultants to directly market our products through selective channels tailored to match and enhance brand equity of our licensors and appropriate to the brand's price points, including through our strong customer relationships with independent opticians, optical chains, department stores, managed care networks, and the flagship shops of our licensed brands. Our regional hubs in Somerville (U.S.) and Longarone (Italy) oversee marketing and sales efforts into countries where we do not otherwise maintain a physical presence through one of our subsidiaries or controlled joint ventures We also manage show rooms in Milan, New York, Miami and Hong Kong for purposes of introducing our new collections to buyers.

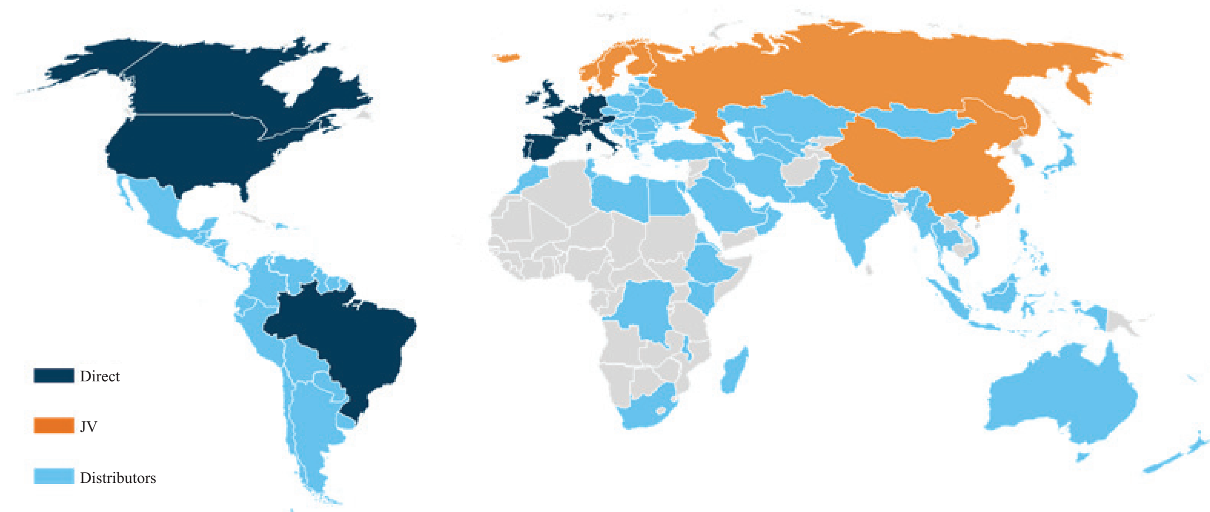
Sales made directly by us are invoiced at dispatch and with payment terms that require our customers to pay within periods required by applicable law or otherwise consistent with local market practices. See also "*Business—Operations—Customers and Contracts*."

Our direct sales force is paid a base salary as well as a commission based on performance. From time to time, we provide rebates to our distributors and key account customers in keeping with industry standard practices. In our core markets, exclusive sales networks are dedicated to our top licensed brands in order to cultivate and promote brand awareness. We also routinely conduct training in cooperation with our licensors to support sales activities and keep the sales force informed about developments within the brand's collections. In recent years, we have undertaken re-organizational initiatives to train our sales force and align their compensation with their individual results, choose the right distributors in markets where we are not directly present and streamline our credit collections efforts. See "*Risk Factors—Risks Related to Our Business—We are exposed to credit risk related to our customers which may cause us to make larger allowances for doubtful trade receivables or incur write-offs related to doubtful debts*."

Distribution

Our products are sold in approximately 125 countries. Pre-orders for new eyewear collections are typically made after the prototypes approved by our licensors are presented to our sales force and distributors. At that stage, we commence manufacturing for the first run of production which is used to fulfill initial orders as well as to maintain a ready inventory to quickly fulfill subsequent orders. The volume of such first run of production is determined by our production team in coordination with our sales managers using their best judgment on anticipated volume of sales in our core markets. Therefore, the first eyewear pieces for a new collection are typically available in stores some 12 months following the start of the product design phase described above. Upon feedback from our sales force, distributors and other customers, we then proceed for a second run of production some four months later upon receipt of reorders.

In some market we distribute our products through controlled joint-ventures with local eyewear operators as an intermediate step toward full direct control of local commercial activity. Joint ventures operating in Russia, China and Nordic Europe independently manage all domestic distribution from their on-site inventories. We have consolidated our distribution to all other markets into two geographic distribution hubs, which we believe has reduced time to market, decreased costs, shortened the distance to the customer and improved the effectiveness of our response to the market: from our headquarters in Longarone, Italy, we distribute finished products into our Europe, Middle East, Africa, Asia and European-rim markets and, from our facilities in Somerville, New Jersey, Marcolin USA manages the distribution to North, Central and parts of South America. The diagram below displays our distribution network as of September 30, 2016.



We currently organize our distribution activities through the following channels:

Direct. Our direct distribution channel consists of sales directly to independent opticians and local optical chains. Our value proposition to these customers consists of delivering high margin eyewear products intended to produce more revenue for less shelf space compared to lower-priced eyewear. We retain the majority of the gross margin on sales through our domestic distribution channel because there are no intermediaries, but such sales entail higher payments to sales force and distribution and commercial costs since the customer base of such stores is large and fragmented. For twelve months ended September 30, 2016, approximately 65.4% of our net revenues were generated through our direct distribution channel. For a description of contracts with direct customers, see "*Business—Operations—Sales and Distribution—Customers and Contracts*."

Key accounts and distributors. Our key accounts and distributor distribution channel consist of sales to large customers and to distributors/wholesalers, respectively. For twelve months ended September 30, 2016, approximately 31.9% of our net revenues were generated through our key accounts and distributor distribution channel. The following provides a brief description of the components of this distribution channel:

- *Key accounts.* Key accounts consist of sales to large accounts, such as large optical chains, retail chains, department stores, online retailers, buying groups and licensed brand flagship stores. Our value proposition to these customers consists of complimenting their offering of a mix of low-end and non-branded eyewear products with fashionable luxury and diffusion brand products. Compared to our domestic distribution channel, the key accounts distribution channel typically generates lower gross margins due to the higher negotiating power and larger volumes of product sales to these types of customers; lower margins are offset by reduced distribution costs (as key accounts generally possess their own distribution networks) and higher volumes of sales per account. For a description of contracts with key accounts, see "*Business—Operations—Sales and Distribution—Customers and Contracts*."
- *Distributors.* Distributors consist of sales to over 150 third-party international distributors. Our value proposition to these customers is similar to that for key accounts. For sales to distributors, our gross margin is lower due to the presence of the intermediary which are partially offset by limited go-to-market costs. For large markets we often work with more than one third-party distributor; in such cases, we sign agreements with each distributor on an exclusive basis for different licensed brands or for different geographical areas. For a description of contracts with distributors, see "*Business—Operations—Sales and Distribution—Customers and Contracts*."

Other. Our other distribution channel consists sales of non-current collections sold at discount prices, with efforts to ensure that such discounted non-current collections do not overlap or otherwise impair the sales of our current collections. Our value proposition to customers of our non-current collections is recognized brands for affordable prices. We generally maintain lower gross margins due to the prevailing discount prices in this distribution channel. For the twelve months ended September 30, 2016, approximately 2.7% of our net revenues were generated through our "other" distribution channel.

The prominence of our domestic and key account distribution channels reflects our efforts to focus on top retailers and selected distribution where we can build and preserve brand equity for our licensed brands and where we enjoy the highest gross margins. For luxury and diffusion brands, selective distribution networks are key to avoid diluting brand awareness. To preserve brand integrity, we encourage sales of our eyewear at suggested manufacturer's retail prices, we make every lawful effort to prevent discounting of our in-season eyewear products and we discourage any manner of sale that would degrade our products' or brands' images. We believe we have been successful in correctly positioning the brands in our portfolio by targeting specific groups of customers and consumers based on the unique characteristics of each brand, and, in particular, preserving and enhancing the highest brand awareness of the various luxury brands we offer. We believe that we enjoy an excellent reputation among our licensors for cultivating and enhancing the value of their respective brands, especially among exclusive high-end brands such as Tom Ford, due to our focus on the sales and distribution of eyewear bearing their proprietary marks, and that this reputation constitutes a key differentiator in the otherwise highly competitive eyewear marketplace.

The table below sets forth our net revenues by geographic segment for the periods indicated. The reporting segment of each of our distribution hubs includes domestic and certain international (export) sales conducted by our geographic sales offices and therefore is further divided to reflect this breakdown.

	For the year ended December 31,						For the nine months ended September 30,				For the twelve months ended September 30,	
	2013	**% of total**	**2014**	**% of total**	**2015**	**% of total**	**2015 (Unaudited)**	**% of total**	**2016 (Unaudited)**	**% of total**	**2016 (Unaudited)**	**% of total**
	(In € thousands, except percentages)											
Americas	96,440	45.4%	173,218	47.8%	210,736	48.5%	160,694	49.7%	146,345	43.7%	196,387	44.0%
Europe	70,349	33.1%	121,359	33.5%	138,553	31.9%	99,894	30.9%	121,144	36.1%	159,803	35.8%
Italy	*14,933*	*7.0%*	*21,223*	*5.9%*	*26,555*	*6.1%*	*18,845*	*5.8%*	*23,167*	*6.9%*	*30,877*	*6.9%*
Rest of Europe	*55,416*	*26.1%*	*100,136*	*27.7%*	*111,998*	*25.8%*	*81,049*	*25.1%*	*97,977*	*29.2%*	*128,926*	*28.9%*
Asia	20,067	9.5%	28,137	7.8%	38,573	8.9%	27,649	8.6%	26,493	7.9%	37,417	8.4%
Rest of World	25,471	12.0%	39,419	10.8%	46,980	10.7%	35,134	10.8%	41,160	12.3%	53,006	11.8%
TOTAL	**212,327**	**100.0%**	**362,133**	**100.0%**	**434,842**	**100.0%**	**323,371**	**100.0%**	**335,142**	**100.0%**	**446,613**	**100.0%**

Europe represented 31.9% and 35.8% of net revenues for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively.

Italy represented 6.1% and 6.9% of net revenues for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands by the Issuer in the Italian market.

Rest of Europe represented 25.8% and 28.9% of our net revenues for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands sold to all European countries other than Italy, including the United Kingdom and Russia. For Southern European countries, our domestic distribution channel prevails due to the high fragmentation in the marketplace and the propensity towards small independent opticians. For Northern European countries, our key accounts distribution channel prevails, mostly selling to low cost chains and premium independent optical stores.

Americas covers some of our most important markets and represented 48.5% and 44.0% of net revenues for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands in our North, Central and South America markets. We maintain certain licenses (Covergirl and Kenneth Cole, among others) that are predominantly sold into the U.S. market. In addition, the U.S. represents an important market for our proprietary brands, Marcolin and National, which are sold through managed care networks. Our licensed brands with particular resonance in the United States market (other than our U.S.-only licensed brands) are Tom Ford and Guess.

Asia represented 8.9% and 8.4% of net revenues for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands in the entire Asian market. Increasing our penetration of Asian markets has been one of our sales goals for recent years. We have established a distribution joint venture in China to grow our base of key accounts and distributors in the region. We have grown our sales to Asian markets from €20.1 million in 2013 to €38.6 million in 2015 and we believe we have had particular success in South Korea, China, Japan and Australia, with additional distribution into Southeast Asia and Oceania. We have also incorporated modified fittings into our product design and manufacturing phases, and for the year ended December 31, 2015, approximately 15.4% of our models were available with modified fittings to enhance wearer comfort for consumers with facial structures indigenous to these markets. Our licensed brands with particular resonance in Asian markets are Tom Ford, Guess, Ermenegildo Zegna and Montblanc.

Rest of World represented 10.7% and 11.8% of revenue for the year ended December 31, 2015 and the twelve months ended September 30, 2016, respectively, and comprises sales of sunglasses and prescription frames from both luxury and diffusion brands to all countries and regions not covered in the above divisions, primarily the Mediterranean region (mainly Turkey, Greece, Israel and Cyprus), Africa, the Middle East and India.

Customers and Contracts

We sell our eyewear products to a diverse and fragmented customer base, including independent opticians, optical chains, department stores, airport duty-free shops and the directly-operated stores of our licensors. For the year ended December 31, 2015, no single customer accounted for more than 4.3% of our net revenues. In Europe, our main customers are independent opticians and smaller optical chains. Since we are not vertically integrated and therefore we do not compete with our customers in the eyewear retail trade, we believe we are an attractive partner for such stores. We also believe our value proposition to our customers is our focus on high-end luxury and diffusion brands which can offer greater net revenues per display space due to higher prices per unit. In other markets, we sell to opticians as well as to department stores, with an emphasis on the segmentation and positioning of our brands in strategic channels, such as the placement of certain of our high-end luxury brands at Selfridges and House of Fraser in the United Kingdom and at Saks Fifth Avenue and Nordstrom in the United States.

Customer contracts. We generally enter into three types of contractual arrangements with customers, depending on the type of customer and the volume of purchases. The following provides brief descriptions of our contractual arrangements.

- *Independent opticians and smaller optical stores:* Our commercial transactions with these customers are typically handled through one of our sales agents with responsibility for the particular region or

arrangements are made remotely through our central telephone lines. These customers place orders with us, with order size and frequency varying according to the amount of floor space available for the products. We then ship the ordered merchandise along with a written bill of sale. Payment terms with independent opticians and small optical chains are set by local laws and by our standard terms policy, which normally range from 30 to 120 days. Longer payment terms may be granted according to the local market practice and economic conditions. Typically, collection takes longer in Southern Europe and Brazil where small optical businesses comprise a large portion of our trade receivables, compared to other markets, such as Germany, France and the United States, where our key accounts are largely located.

- *Key account contracts.* We sign master or framework agreements with key accounts pursuant to which the customer has the ability to access a preferential pricing list (generally a discount from our normal prices, set according to past and expected purchase volumes), though the customer does not have an obligation to purchase set minimums from us. Other relevant provisions in our key account contracts include: payment terms which range from zero days (pre-payment) to 90 days, or in certain instances 120 days, according to the jurisdiction; invoicing terms (generally upon dispatch or quarterly, according to the customer); transfer of risk and title to the products; any applicable restrictions regarding sale of the products (i.e., online, resales and territories); returns of damaged or unsuitable products; warranties of fitness for use; marketing and promotional activities pursuant to which we typically partner with our key account customers to foster and maintain brand awareness through POS materials provided by us; and an undertaking for the key account to supply adequate sales information to us in a timely manner.

  At the time of the Viva Acquisition, M-USA entered into a supply agreement with HVHC (the "**Supply Agreement**") whereby HVHC committed to purchase $22 million in eyewear products per year for a term of five years (renewable for two additional five-year terms at the option of HVHC), making HVHC the single largest customer of the Issuer. The Supply Agreement allows HVHC to use its discretion as to which brands of eyewear to purchase from among a selection of our diffusion brands. To the extent any such brand is terminated by us for which HVHC has made purchases of up to a certain amount in a given year, we may offer any new licensed brand that we may acquire in the future as an alternative, and HVHC may, in its sole discretion, allocate the *pro rata* amount of such terminated brand to the new brand. If HVHC does not accept the alternate brand offered, the commitment to purchase pursuant to the Supply Agreement shall be reduced by an amount equal to the value of products of the terminated brand purchased by HVHC during the year prior to such termination. The terms of sale incorporated into the Supply Agreement are consistent with market standards for large customer supply contracts and the Supply Agreement, subject to various termination events.

- *Distribution contracts.* Our distribution contracts are limited to particular licensed brands and grants the relevant distributor a right (exclusive or non-exclusive) to market, distribute and sell such products in a particular territory or territories. Our distribution contracts include minimum purchase amounts. Our varied billing and payment arrangements with our distributors reflect the diversity of our distributor base: some distributors pay within 60 to 90 (or 120) days following invoicing upon dispatch, whereas other distributors pay upfront depending on market practices and customs requirements. Our contractual arrangements with our distributors typically include the following provisions: an undertaking by the distributor not to distribute other licensed brands of third parties without our written consent; representations from the distributor that (a) it will use its best efforts to distribute the products at POS commensurate with the standards of the product and brand identity; (b) it will not engage in parallel distribution or otherwise divert our products to other territories; (c) it will maintain an adequate inventory; payment terms; invoicing terms; and (d) it will take no action or fail to take any action which might damage or conflict with our business relationship with our licensors; marketing and promotional activities pursuant to which the distributor undertakes such activities at its own cost according to our guidelines; an undertaking for the distributor to supply adequate sales information to us in a timely manner; and our right to cancel the distribution contract in the event of breach, misuse or infringement of ours or our licensor's intellectual property, acts or omissions by the distributor that cause us to breach our license agreements or the distributor being declared bankrupt or filing a petition for insolvency protection.

Marketing and Promotion

Our marketing and promotional activities are designed primarily to enhance our image and our brand portfolio. For the year ended December 31, 2015, we spent €31.3 million on advertising and public relations expenses, a

31.3% increase from the year ended December 31, 2014. Pursuant to certain of our license agreements, we make regular payments to our licensors in the form of advertising and promotional fees, although, we generally exercise little control over the nature and priorities of the related spending. Nonetheless, we believe that we generally benefit from brand-name advertising carried out by licensors intended to promote the image of their brand ecosystems. See "*Business—Intellectual Property—License Agreements*."

In addition, we undertake direct advertising and promotional activities. For example, we collaborate with our licensed brands to prepare marketing and promotional materials (posters, video installations) for sell-out corners for optical and licensed brand flagship stores which convey the relevant brand's image.

We also seek and obtain endorsements from celebrities, such as music artists, actors and athletes, to sell our products, preserve the relevancy and authenticity of our brands and to support new products. Examples of endorsers have been Katy Perry for Dsquared2, Daniel Craig for Tom Ford and Miranda Kerr for Swarovski. We are also involved in selecting the photographs for the eyewear advertising campaigns undertaken by our licensed brands. For our proprietary brands, we conduct our own advertising campaigns, for example, the 2017 Web Eyewear ADV campaign takes inspiration from travel and exploration motifs, which represent the core values of the brand. We also maintain online/digital communications and engagement with consumers to remain close to the users of our products and the fashion trends that inspire them. See "*Risk Factors—Risks Related to Our Business—If our advertising and promotional activities are not successful, our ability to market and sell our products or develop new products may be harmed*."

Our key account and distributor contracts typically contain undertakings by such customers to take no action or refrain from taking any action that would damage our relationship with our licensors as well as representations by the customer to maintain an exclusive and appropriate distribution strategy and support continued brand awareness through an advertising and promotional campaign that is either approved by us or directly provided by us. See "*Business—Operations—Sales and Distribution—Customers and Contracts*."

Procurement

The principal raw materials and components we purchase for our manufacturing process include plastic resins, acetate sheets, metal alloys, frame parts and lenses for sunglasses. We generally source our raw materials and semi-finished components from suppliers in both Italy and China, and for a limited number of certain titanium components, Japan. In recent years, we have adopted a supply strategy based on partnerships with selected suppliers in order to obtain better pricing conditions, increase quality control and reduce design-to-market time. See "*Business—Operations—Manufacturing—Third-Party Manufacturing*" for a description of our arrangements with manufacturing suppliers in China.

We also purchase prescription lenses for purposes of displaying and finishing our prescription eyewear products. For high-value sunglasses lenses, such as polarized and mirror lenses for luxury sunglasses, we purchase from Barberini S.p.A., an Italian manufacturer. Lenses for sunglasses generally cost between €1 to €5. We also purchase a variety of packaging materials for our eyewear, for example, wood and leather carrying cases which we carefully select to maintain brand integrity.

Generally, the raw materials and components used in our products are available in sufficient supply from a number of suppliers. However, certain products with innovative fashion content, such as lenses with innovative coatings or coloring, or unusual materials, such as special types of plastics produced only for us, are not generally available from a number of alternative sources. See "*Risk Factors—Risks Related to Our Business—Our results of operations could be adversely affected by a disruption of operations at our manufacturing facilities or our distribution centers or by problems with third-party manufacturers or suppliers,*" *and* "*—If we or our manufacturers are unable to procure raw materials and semi-finished products at terms acceptable to us, our business may suffer.*"

Our Longarone and Fortogna plants maintain their own on-premises storage for raw materials and semi-finished pieces (both produced on-site and in Italy or China by third parties) which we believe is sufficient for our current level of production.

Logistics

We operate two logistics centers or hubs, one at our headquarters in Longarone, Italy and the other in Somerville, New Jersey, United States. They operate as centralized facilities, efficiently coordinating distribution within their

geographic regions, eliminating redundancies in the distribution chain, shortening the distance to the customer and offering customers an automated order management system that reduces delivery times and keeps inventory levels low but within acceptable amounts to fulfill anticipated orders. We pay careful attention to our level of inventory and our manufacturing process is designed to allow us to have stock available to fulfill requests quickly when a new collection is introduced.

We rely on third parties for shipping our products to customers. Our sales to distributors and key account customers are typically made "free on board," meaning the buyer pays for transportation from our distribution center.

Quality Control

High quality products are a key element of our success and strategy. As a result of our emphasis on quality, historically only a small amount of our products have been returned due to quality issues. We have a manager and a dedicated team of employees to focus on quality improvement at all phases of our value chain. In addition, we have employees dedicated to quality monitoring and improvement in each of our production and distribution facilities. In selecting third-party manufacturers, we only contract those we believe are capable of meeting our criteria for quality, delivery and attention to design detail. Through MTS in Shenzhen, China we conduct inspections of third-party facilities and provide technical services regarding production, such as supplier selection, quality control and monitoring of production work in progress and general manufacturing-related services. We perform the same rigorous quality control and inspections procedures in our own production and distribution facilities, including sampling our products for defects and irregularities throughout the stages of our manufacturing process and distribution. We regularly enhance the performance criteria used in our standards tests and introduce new requirements when we deem appropriate.

Made in Italy

The *Made in Italy* designation is a key differentiator in the eyewear marketplace. We believe that consumers throughout the world recognize the superior styling, craftsmanship and quality that the label embodies and are prepared to pay premium prices for products that bear such designation. We believe licensors also recognize that their brand equity is enhanced through the sale of products that are *Made in Italy*.

The use of the *Made in Italy* designation is regulated by Italian and European Union law and requires that the relevant product was manufactured in Italy with Italian components, or, if the product includes non-Italian components or semi-finished pieces, was assembled or otherwise underwent its "last, substantial and economically justified processing" in Italy.

We estimate that for the year ended December 31, 2015, approximately 21.0% of our products carried the *Made in Italy* designation. See also "*Business—Operations—Manufacturing*."

Intellectual Property

We use a combination of trademark, copyright, trade secret and trade dress laws, as well as confidentiality agreements, to aggressively protect our intellectual property, including product designs, product research and development and recognized trademarks. We believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our products, identifying our brand and distinguishing our products from those of our competitors. We believe the Marcolin, National and Web trademarks resonate in their respective target marketplaces and audiences at their respective price points. However, we do not believe any of our proprietary intellectual property is material to our business as for the year ended December 31, 2015, approximately 2.3% of our net revenues were generated by sales of proprietary brand eyewear.

License Agreements

We have entered into license agreements to manufacture (or contract to manufacture) and distribute sunglasses and prescription frames with numerous designers and fashion houses. See "*Business—Our Business—Our Licensed Brands*" for a list of our licensed brands and certain other information regarding the terms of our licenses. Our license agreements typically have terms ranging from five to ten years, but may be terminated early by either party for a variety of reasons, including non-payment of royalties, sales of products not approved by the licensors and, under certain agreements, failure to meet minimum target net sales and a change of control at Marcolin. Although our license agreements typically do not contain automatic renewal clauses, a number of our

license agreements provide for an automatic renewal or renewal upon satisfaction of certain requirements. Renewal discussions typically commence 18-24 months in advance of the termination of the relevant license; in certain instances, we have purchased options or paid certain renewal fees to the relevant licensor to renew licenses that we consider important to our portfolio. The vast majority of our license agreements are exclusive, meaning we are the only player to receive worldwide use to design, manufacture and distribute eyewear bearing such proprietary markets. However, exclusive manufacturing and distribution under certain of our licenses (including Covergirl and Kenneth Cole) exclude certain geographic markets.

Licensors are remunerated through royalties which can be based on a percentage of net sales (variable royalty amounts, or "**VRA**"), some of which are subject to a minimum. If the minimum sales volume is not achieved, a minimum annual guaranteed amount is payable ("**MAG**"). The percentages of net sales on which VRA royalties are calculated, and the minimum thresholds for calculation of MAG vary license by license and can grow year on year, as stipulated in the individual agreements.

MAG amounts are generally payable regardless of units sold or revenues and range from no MAG to €13.4 million, depending on the expected amount of revenues to be generated by the license. VRAs require us to pay a royalty ranging from, for example, 6% to 12.5% of the revenues of the relevant collection. Certain license agreements contain a ratchet which increase the VRA depending on targets achieved, such as units sold or revenues.

In addition, our license agreements also provide for mandatory advertising and promotional fees or investments, whose amounts are usually set (i) as a percentage of net sales of the products under the license (ii) as a percentage of the greater of net sales or agreed upon minimum revenue targets for the applicable license period, or (iii) as the greater of a percentage of net sales or a fixed amount (which, in certain instances, may vary from year to year).

We incurred total royalties of €33.1 million, €44.4 million and €53.6 million for the years ended December 31, 2013, 2014 and 2015, respectively. In addition, for certain key licenses, we have from time to time in the past made certain upfront payments consisting of compensation or advanced royalties upon securing such license or at renewal.

See "*Business—Our Business—Our Licensed Brands*" for more information concerning our licensed brand portfolio. See also "*Risk Factors—Risks Related to Our Business—We are party to license agreements which require us to pay royalty and other license fees*" and "*—Our business is dependent on our ability to negotiate, maintain and renew license agreements on satisfactory terms with leading brands*."

Anti-Counterfeiting

Intellectual property is one of our most important assets, which we protect through the registration of our trademarks and patents and enforcement of our rights under our license agreements. Our commitment is demonstrated through on-going anti-counterfeiting activities. We face the threat of counterfeit products through the implementation of vigorous anti-counterfeiting policies, working in partnership with trade organizations, law enforcement and customs authorities and our suppliers, distributors and licensors.

We diligently monitor whether any counterfeit products that bear the proprietary marks of our licensors are being offered through informal networks or through trade exhibitions and normal distribution channels, and historically we have intervened availing ourselves of the courts and/or public authorities to take appropriate legal action, including the seizure and destruction of counterfeit goods.

We dedicate considerable efforts to monitoring the trafficking of counterfeit goods through the Internet, and work actively to remove counterfeit eyewear from certain popular on-line auction platforms and shut down the websites that violate our intellectual property rights through the sale of counterfeit products or the unauthorized use of our trademarks.

Real Estate and Equipment

We own our headquarters in Longarone, Italy while our distribution and sales subsidiaries rent their premises on customary, arms-length terms. Our design and industrial equipment is either owned by Marcolin or leased on customary, arms-length terms. Our Longarone plant was opened in 2010 to centralize production and logistics. In 2015, we completed the purchase and conversion of a new 3,500 square meter factory in Fortogna, Italy. We

believe that this new facility, which operates in conjunction with our Longarone facility, will double our *Made in Italy* production, making it possible to meet the demands arising from the influx of new brands in our brand portfolio and the structural expansion of some markets. Based on management's latest available data, we believe that we currently have approximately 10% to 20% of additional capacity for manufacturing of eyewear at our two Italian plants. In addition, we lease our distribution facility located in Somerville, New Jersey, United States with 100,000 square feet of warehouse space and a maximum capacity to process nine million units.

Furthermore, management believes that our finishing and processing capacity at our plants could be easily ramped up at incremental expense through implementing space-saving and process management techniques. Therefore, we believe we have sufficient capacity to meet our obligations to our customers.

Our other real estate assets include show rooms in Milan, New York, Miami and Hong Kong that support sales to key accounts and distributors and host presentations of new prototypes and collections to licensors and the press. Our shop in Milan also makes year-round sales of eyewear to consumers.

We believe that our facilities are in excellent condition and suitable for the purposes for which they are being used. See also "*Management's Discussion and Analysis of Financial Conditions and Results of Operations—Capital Expenditures*."

Employees

As of September 30, 2016, we employed 1,721 people. The following table shows a breakdown of the employees of the Group by function:

	As of September 30, 2016
Managers	59
Employees	929
Manual workers	733
Total	**1,721**

According to information available to management, the majority of our employees are represented by trade unions. We consider our relationship with the trade unions to be good and we are committed to maintaining those relationships. Historically, we have not experienced any material labor strikes or disruptions. In Italy, the collective bargaining agreement in place for the eyewear sector and applicable to all operators including Marcolin was renewed in 2016 and will be renewed prior to its expiration in 2018.

Competition and Market Position

For a discussion of our competition and market position, see "*Industry Overview*."

Information Technology

We have invested in information technology ("**IT**") systems pursuant to licenses from third parties. We believe our IT systems maintain and enhance our business processes. We use IT to in all phases of our operations, from preparing technical drawings during the product design phase, the purchasing suppliers, monitoring industrial processes and coordinating with suppliers during our manufacturing phase, and track logistics and our transactions with customers and distributors during our sales and distribution phase. We have also deployed programs to assist us in tracking and collecting on our trade receivables. As of the date of this Offering Memorandum, we believe that our IT system is robust, adequate to support our activities and insured to standards that are comparable to other operators in our industry.

Research and Development

Our R&D activities are undertaken by two divisions. The first division works in partnership with licensors to come up with new collections, hone style, research new materials and develop collections related to sunglasses and prescription frames. Our second division, which works closely with the first, handles product development and manufacturing innovation, working closely with suppliers. We conduct R&D into materials (flexibility and resiliency), colors (retention), fittings (sports, children/young adults and facial structure) and valuation of feasibility and design-to-cost.

Insurance

We maintain insurance coverage under various liability and property insurance policies for, among other things, damages in areas of operations, product liability, environmental liabilities and business interruption. Our fixed assets, such as technical equipment used in our manufacturing processes and inventory, information technology and office equipment, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, theft, flood and severe weather) that includes a business interruption insurance when business interruption is caused by an insured property damage. We also maintain various legal services, transportation, accident and motor vehicle insurance policies as well as a directors' and officers' liability insurance. We believe that the level of insurance which we maintain is appropriate for the risks of our business and is comparable, in each case, to that maintained by other companies in our sector.

We do not have insurance coverage for all interruptions as a result of operational risks because in our view, these risks cannot be insured or can only be insured on unreasonable terms. See "*Risk Factors—Risks Related to Our Business—Our insurance is limited and subject to exclusions, and depends on the ongoing viability of our insurers; we may also incur liabilities or losses that are not covered by insurance*."

Regulation

Eyewear products are subject to governmental health and safety regulations in most of the countries where they are sold. Though we do not engage in the production of prescription lenses, we do produce sunglasses lenses and therefore such regulation is more relevant to our activities. In the United States, non-prescription sunglasses are regulated as medical devices by the Center for Devices and Radiological Health in the Food and Drug Administration ("**U.S. FDA**"). While non-prescription sunglasses have received broad regulatory exemptive relief from the U.S. FDA since 1998, the U.S. FDA has published guidance concerning specifications for non-prescription sunglasses applicable to manufacturers and distributors such as the Group, including requirements regarding impact resistance, flammability, biocompatibility and optical protection properties. These requirements mandate certain minimal safety and health standards for the components and materials used in non-prescription sunglasses as well as the labeling of such products. In the European Union, sunglasses are covered under Directive 89/686/EEC of December 21, 1989 related to personal protective equipment and the standards that have been promulgated by the European Standards Authority ("**ESA**") thereunder (with some national variations) known as ESA1836:1997. ESA1836:1997 prescribes minimal safety and labeling specifications, including related to flammability, biocompatibility and optical protection. Many other countries prescribe similar specifications. Sunglasses which are targeted to children also have additional safety and labeling requirements in the United States, European Union and other jurisdictions around the world.

We have incorporated guidelines from the U.S. FDA and ESA as well as other best practices from trade groups into our production and quality control processes and we regularly monitor our operations and products for compliance therewith. Our arrangements with suppliers in China require them to produce component parts and finished and semi-finished goods that comply with regulatory requirements and our agreements also grant us the right to conduct inspections. We have a team of professionals based in Hong Kong who are dedicated to managing such inspections and our day-to-day relationships with our suppliers.

Historically, compliance with regulatory requirements has not had a material effect on our operations.

In addition, governments throughout the world impose import duties and tariffs on products being imported into their countries. In the past we have not experienced situations in which the duties or tariffs imposed materially impacted our operations.

Environment, Sustainability and Citizenship

We are committed to operating our business while respecting the environment and other social considerations. Our past and present operations, including owned and leased real property, are subject to extensive and changing environmental laws, regulations and local permitting requirements related to, *inter alia*, the discharge of materials into the environment, the handling and disposition of waste or otherwise relating to the protection of the environment. We believe that we are in substantial compliance with applicable environmental laws and regulations.

Legal Proceedings

We are party to various legal proceedings involving routine claims that are incidental to our business, including a pending wrongful death claim brought against us in August 2016 in connection with our alleged vicarious

liability for a car accident purportedly caused by one of our employees while, within the scope of his employment, he was driving a vehicle owned by us. In this respect, a trial date has not been set and we have not received any specific request for damages yet. However, we believe the claim to be without merit and we expect our insurance company to cover substantially all of the costs arising from the proceeding. Although our legal and financial liabilities with respect to such proceedings cannot be estimated with certainty, we do not believe that the outcome of these legal proceedings, individually or in the aggregate, will be materially adverse to our business, financial position or results of operations. As of September 30, 2016, we have provisioned €0.7 million for potential liabilities in connection with legal proceedings.

MANAGEMENT

The following is a summary of certain information concerning our management, certain provisions of our bylaws (statuto) and Italian law regarding corporate governance. This summary is qualified in its entirety by reference to our bylaws and/or Italian law, as the case may be, and it does not purport to be complete.

The Issuer was incorporated as a private joint stock company (*società per azioni*) under the laws of the Republic of Italy on February 8, 1983, and is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). The Issuer's registered office is at Zona Industriale Villanova, 4, 32013 Longarone (BL), Italy and its telephone number is +39 043 7777 1111.

We are managed by a board of directors (*Consiglio di Amministrazione*) which, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee and/or one or more managing directors. Under Italian law, the board of directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires us to have a board of statutory auditors (*Collegio Sindacale*) which functions as a supervisory body.

Directors and Senior Management

Directors

The board of directors of the Issuer (the "**Issuer's Board of Directors**"), as of the date of this Offering Memorandum, are set forth in the table below. The business address of each member of the Issuer's Board of Directors is the registered address of the Issuer, Zona Industriale Villanova, 4, 32013, Longarone (BL), Italy.

The following table sets forth the age, date of first appointment and position of the directors of the Issuer:

Name	Age	Date of First Appointment	Position
Vittorio Levi	78	December 5, 2012	Chairman, Director
Giovanni Zoppas	58	January 26, 2012	Chief Executive Officer, Director
Cirillo Coffen Marcolin(1)	56	June 27, 1986	Non-Executive Director
Emilio Macellari(2)	58	April 28, 2005	Non-Executive Director
Roberto Ferraresi(3)	41	December 5, 2012	Non-Executive Director
Nicolas Guy Alain Brugère(3)	36	August 26, 2015	Non-Executive Director
Frédéric Jacques Marie Stévenin(3)	50	December 5, 2012	Non-Executive Director
Franck Raymond Temam(3)	46	December 5, 2012	Non-Executive Director
Raffaele Roberto Vitale(3)	54	December 5, 2012	Non-Executive Director
Antonio Abete(4)	37	April 28, 2009	Non-Executive Director
Francesco Capurro(3)	37	April 30, 2013	Non-Executive Director

(1) Nominee of indirect shareholder CMG (as defined under "*Principal Shareholders*").
(2) Nominee of indirect shareholders DDV and ADV (each as defined under "*Principal Shareholders*").
(3) Nominee of indirect shareholders PAI Investors (as defined under "*Principal Shareholders*").
(4) Nominee of indirect shareholder TI (as defined under "*Principal Shareholders*").

Following the M/L JV Formation, and pursuant to the PAI/LVMH Shareholders' Agreement, LVMH will have the right to appoint one additional member of the Issuer's Board of Directors. We expect that the additional member of the Issuer's Board of Directors will be nominated at the time of the M/L JV Formation.

Set forth below is certain biographical information relating to the members of the Issuer's Board of Directors.

Vittorio Levi graduated from the Politecnico of Turin with a degree in electrical engineering. He began his career with Olivetti S.p.A., where he was responsible for its Customer Engineering Service, and subsequently, head of Sales and Marketing and Chief Operating Officer. Mr. Levi then joined Nokia's Italian subsidiary and was subsequently made a director of parent company Nokia. From 2005 to 2010, Mr. Levi was Managing Director of Centax, a payments and financial services firm. Until 2014 Mr. Levi served as Vice Chairman of The Nuance Group AG and also serves as President of Panini S.p.A.

Giovanni Zoppas graduated from the Università Commerciale Luigi Bocconi of Milan with a degree in economics. He began his professional career in 1984 with Andersen Consulting. From 1993 to 2000, he was

director of administration and internal control at the Benetton Group where he led the acquisition of Benetton Sportsystem, and subsequently, he served as Chief Financial Officer of the Italian subsidiary of GlaxoSmithKline. From 2003 to 2006, Mr. Zoppas was Managing Director of Nordica S.p.A., upon which time he joined Gruppo Coin S.p.A. as Chief Financial Officer and Chief Operating Officer, where he led the acquisition and subsequent integration of two large retail chains (Upim and Melablu). In 2012, Mr. Zoppas joined Marcolin as Chief Executive Officer and Director. He remains a member of the board of directors of Gruppo Coin S.p.A. Following the M/L JV Formation, and pursuant to the M/L JVA, Mr. Zoppas will act as the Chief Executive Officer of M/L JV while continuing to fulfil his responsibilities as of Chief Executive Officer of the Issuer.

Cirillo Coffen Marcolin graduated from the Università Commerciale Luigi Bocconi of Milan. He began working with the Issuer while still a university student. After graduation, Mr. Marcolin spent one year as Branch Director with Marcolin's French subsidiary. Upon his return to Italy, and through the course of his long tenure with the Marcolin Group, he has held numerous management positions in administration, production, building management and has held positions on the board of directors of various Marcolin Group companies. Mr. Marcolin was formerly Chief Executive Officer and also served as Commercial Director from 1997 to 1999. In addition to his experience with the Marcolin Group, Mr. Marcolin has served in various management positions with trade organizations; notably he is President of MIDO, the company responsible for organizing the International Optics, Optometry and Ophthalmology exhibition in Milan, President of ANFAO, the Italian Optical Goods Manufacturers Association, an executive committee member of CONFINDUSTRIA, the Italian manufacturing and service companies confederation and President of FIAMP, the confederation of Italian Accessories and Fashion Associations.

Emilio Macellari graduated from the Università degli Studi of Macerata with a degree in political sciences and law. Mr. Macellari has taught at the Università degli Studi of Ancona and the Università degli Studi of Macerata. Mr. Macellari has been admitted to the roll of chartered accountants since 1986. He currently provides corporate finance, general business and tax advisory services through his own firm based in Civitanova Marche, Italy. Since 1976, Mr. Macellari has served as director or other administrative positions within the companies owned or partially owned by the Della Valle family. Since 2000, Mr. Macellari has served as Head of Institutional Investor Relations and as a director of Milan-listed fashion house TOD'S S.p.A. He also serves as director of other companies inside and outside the TOD'S group.

Roberto Ferraresi graduated from the Università Commerciale Luigi Bocconi of Milan with a degree in business administration and finance. He began his career the investment bank UBS, first working with the leveraged finance group in London and then with the mergers and acquisitions group in Milan. In September 2004, Mr. Ferraresi joined PAI, where he currently is a Partner working in the Italy team from PAI's Milan office.

Nicolas Guy Alain Brugère graduated from the Institut d'Etudes Politiques de Paris in 2001 and from Ecole des Hautes Etudes Commerciales in 2004. He began his career with Boston Consulting Group in Paris, where he spent two years. In 2006, Mr. Brugère joined PAI and is now a member of the Food & Consumer Goods sector team.

Frédéric Jacques Marie Stévenin graduated from the École Supérieure de Commerce of Paris. He began his career with Banque Paribas in the advisory team of the Private Banking division. Mr. Stévenin joined PAI in 1993 and spent five years with the Food & Beverage Team. In 1998, he joined Deutsche Bank's European Acquisition Finance Group as a Director, and subsequently, Managing Director. In 2001, Mr. Stévenin returned to PAI in 2001 and became the Partner in charge of the Food & Consumer Goods and Healthcare Sector Teams.

Franck Raymond Temam graduated from the École Centrale of Paris with a specialization in innovation and production systems. He began his career with Procter & Gamble, where he spent nearly seven years, serving in various capacities in production management in France, the United States and Italy. In 2001, Mr. Temam joined McKinsey & Co., as part of its Operations Practice, focusing on manufacturing, supply chain and capital expenditure engagements for industrial and consumer goods clients. In 2011, Mr. Temam joined PAI as a Principal in its Portfolio Performance team.

Raffaele Roberto Vitale graduated from Rollins College with a bachelor's degree in business administration. He began his career with the Chase Manhattan Bank, N.A., working in its corporate finance department in New York, London and Milan. After 10 years with Chase Manhattan Bank, N.A., in 1993, Mr. Vitale was one of the founding partners of Vitale Borghesi & C. S.p.A., a financial advisory firm that joined with Lazard in 1998.

From 1998 to 2002, Mr. Vitale served as Managing Director of Lazard Italy, upon which time he joined PAI as a Partner, where he manages both the Italy Team and the US Team in addition to being a member of the Executive Committee and Investment Committee of PAI.

Antonio Abete graduated from the Università degli Studi Roma Tre of Rome with a degree in business economics. He began his career with J.P. Morgan Chase in its mergers and acquisition group of Milan and thereafter worked with the investment bank's equity capital markets group in London. In 2006, Mr. Abete worked with marketing and communications firm Blendon Communications. In 2007, Mr. Abete joined the Issuer and has worked in a variety of strategic and brand management functions.

Francesco Capurro graduated from the Scuola Normale Superiore of Pisa in physics and holds a master's in business administration from Columbia Business School. He began his career with McKinsey & Co. in Italy as a strategy consultant where he worked on numerous engagements in Italy, Germany and Spain. In 2008, Mr. Capurro joined PAI where he currently is a Principal working in the Italy team from PAI's Milan office.

Issuer's Board of Directors Practices

The Issuer's Board of Directors comprises eleven directors. Pursuant to the by-laws (*statuto*) of the Issuer, the Issuer is managed by a board of directors consisting of between seven to eleven members, who are elected upon nomination by the Issuer's ordinary shareholders' meeting. The Issuer's Board of Directors may perform all acts that they consider necessary for the achievement of the Issuer's corporate purpose, except for those actions reserved by law or for the shareholders' meeting pursuant to the Issuer's by-laws. The by-laws delegate, pursuant to Article 2365, second paragraph, of the Italian Civil Code, the Issuer's Board of Directors, to adopt also any resolution on simplified mergers, opening and closing branch offices and reduction of the share capital due to shareholders' withdrawal. The Board of Directors remains in office for a three-year term which expires on the date of the ordinary shareholders' meeting called to approve the financial statements of the last financial year of the term.

Audit and Remuneration Committees

The Issuer's Board of Directors has established an internal audit committee, whose members are Vittorio Levi, Cirillo Coffen Marcolin and Roberto Ferraresi. No compensation was paid to the members of the internal audit committee for the year ended December 31, 2015.

The Issuer has not adopted a separately established remuneration committee, whose functions are fulfilled by the Board of Directors as a whole, or its delegated members, as and when required.

Senior Management

The following table sets forth the age and position of the senior managers of the Group:

Name	Age	Position
Giovanni Zoppas	58	Chief Executive Officer, Director
Sergio Borgheresi	50	Chief Financial Officer
Massimo Stefanello	55	Chief Operating Officer
Massimo Renon	46	Worldwide Commercial General Manager
Antonio Jové	49	Head of Sales, Europe
Vanni Martignago	39	Export Sales Director
Paolo Bino	58	Italy Commercial General Manager

The senior managers listed above are considered relevant to establishing that we have the appropriate expertise and experience for the management of our business.

Set forth below is certain biographical information relating to the members of the Group's senior management.

Giovanni Zoppas See "*Management—Directors and Senior Management—Directors*" for a description of Mr. Zoppas management expertise and experience.

Sergio Borgheresi graduated from the Università degli Studi di Firenze in business management and economics and holds a master's in business administration from the Harvard Business School. He was admitted to the roll of

Italian Chartered Accountants in 1995 and to the roll of Italian Chartered Auditors in 1998. He began his career with Ernst & Young, in the audit and consulting team in 1992. In 1997 he joined General Electric, where he served in various capacities and sectors in the EMEA region. In 2014 he moved to the listed company Datalogic, serving as Group Chief Financial Officer and as Investor Relator. Mr. Borgheresi joined the Issuer in 2016, serving as Group Chief Financial Officer.

Massimo Stefanello graduated from the Università degli Studi Ca' Foscari of Venice. He began his career with Gruppo Benetton, working in Italy and abroad, in various financial, treasury and administrative capacities. At Gruppo Benetton, Mr. Stefanello assumed a leadership role the integration of Prince, Rollerblade and Nordica into Benetton Sportsytem USA. Mr. Stefanello then joined GlaxoSmithKline as a director of planning and control. In 2005, he joined Milan-listed apparel company Geox S.p.A. where he served in various corporate finance and financial planning capacities with Geox, including leadership roles in various acquisitions by Geox S.p.A., including that of Stiefelkönig. Mr. Stefanello also worked for Geox S.p.A.'s holding company, Lir S.r.l. In 2013, Mr. Stefanello joined the Issuer as Chief Financial Officer and Chief Operating Officer.

Massimo Renon graduated from Bologna University with a degree in political sciences with a specialization in business management at the SDA Bocconi and Columbia University in New York. In 2000, he joined Luxottica as branch manager, originally based in Belgium. He was then appointed as head of the Turkish branch and, subsequently, as head of the Northern Europe area. He returned to Italy in 2005 as Wholesale Coordinator, and then became New Europe Region Director. In 2010, he joined the Ferrari group in Maranello as Global Head of Sales and After Sales, in charge of the Classic Cars and Customer Racing units. Afterwards, he joined Safilo as head of the EMEA Business Unit and, most recently, he worked for the Kering Group where he took part in the founding and start-up of the newly established Eyewear division. He joined the Issuer in 2017 as Worldwide Commercial General Manager.

Antonio Jové graduated from the Instituto Superior de Marketing of Barcelona and in Business Administration at EADA Business School of Barcelona. He began his professional career in 1991 in the eyewear division at Baush & Lomb Spain. In 1998, he joined the Issuer, where he currently serves as Head of Sales, Europe.

Vanni Martignago graduated from Università degli Studi di Trieste with a degree in international and diplomatic studies with a specialization in marketing, politics and communication at Universitè de Montréal. Mr. Martignago began his professional career at the Linea Light Group in 2004 and, in 2006 he joined Safilo where he served in various capacities in Eastern Europe and in the Far East area. He joined the Issuer in June 2012 as Head of Asia Pacific and he currently serves as Export Sales Director.

Paolo Bino began his professional career in 1981 as a sales agent at Luxottica and, in September 2013 he joined the Issuer, where he currently serves as Domestic Sales Director.

Senior Management Compensation

The aggregate compensation paid to our senior management of the Group for the year ended December 31, 2015 was €1.4 million, consisting of fixed salaries and performance-related components.

As of the date of this Offering Memorandum, the Issuer does not maintain a stock option plan.

Board of Statutory Auditors

Pursuant to applicable Italian law, the Issuer has appointed a board of statutory auditors (*Collegio Sindacale*) whose purpose is to oversee the Issuer's compliance with the law and with its by-laws, to verify the Issuer's compliance with best practices in administration of its business, and to assess the adequacy of the Issuer's internal controls and accounting reporting systems, including the adequacy of the procedures in place for the supply of information between it and its subsidiaries.

Currently, there are three auditors and two alternate auditors on the board of statutory auditors of the Issuer.

Members of the board of statutory auditors are appointed by the shareholders of the Issuer at ordinary shareholders' meetings for three-year terms expiring on the date of the ordinary shareholders' meeting called to approve the financial statements in the third financial year of a respective member's term. At least one of the auditors and one of the alternate auditors must be selected from among the legal auditors registered with the relevant special registry in Italy. Members of the board of statutory auditors may be removed only for a valid

reason and with the approval of an Italian court. The terms of office of the current members of the board of statutory auditors are scheduled to expire with the approval of the Issuer's financial statements as of December 31, 2018.

The following table identifies the current members of the statutory board of auditors of the Issuer, who were elected on April 28, 2016, together with their age and title.

Name	Age	Position
David Reali	50	Chairman
Diego Rivetti	59	Auditor
Mario Cognigni	58	Auditor
Alessandro Maruffi	42	Alternate Auditor
Rossella Porfido	40	Alternate Auditor

The business address for each of the members of the Issuer's board of statutory auditors is Zona Industriale Villanova, 4, 32013, Longarone (BL), Italy.

Set forth below is certain biographical information relating to the members of the Issuer's board of statutory auditors.

David Reali graduated from the Università Commerciale Luigi Bocconi of Milan. He was admitted to the roll of Chartered Accountants in 1989 and to the roll of Chartered Auditors in 1995. Mr. Reali specializes in accounting, tax and auditing matters and is the author of numerous articles in professional journals. In his professional life, Mr. Reali is a partner of the tax and advisory firm Chiaravalli Reali e Associati in Milan, where he advises financial and industrial companies in connection with mergers, spin-offs, acquisitions and provides tax structuring and due diligence advice.

Diego Rivetti graduated from the Istituto Tecnico Commerciale Statale V. Monti of Ferrara. He was admitted to the roll of Chartered Accountants in 1993 and to the roll of Chartered Auditors in 1995. Mr. Rivetti provides accounting and tax advisory services through his own firm in Brescia, Italy. He has served as statutory auditor for a number of companies.

Mario Cognigni graduated from the Università degli Studi of Macerata. He was admitted to the roll of Chartered Accountants in 1995. Mr. Cognigni provides tax advisory services, tax law and financial statement analysis through his own firm in Civitanova Marche, Italy. He has served as director and statutory auditor for a number of companies.

Alessandro Maruffi graduated from the Università Commerciale Luigi Bocconi of Milan. He was admitted to the roll of Chartered Accountants and to the roll of Chartered Auditors in 2004. Mr. Maruffi specializes in accounting matters, tax and financial statements analysis and advice. He is currently a partner of the tax and advisory firm Chiaravalli Reali e Associati in Milan.

Rossella Porfido graduated from the Università degli Studi Ca' Foscari of Venice. She was admitted to the roll of Chartered Accountants in 2003 and to the roll of Chartered Auditors in 2004. Ms. Porfido practices tax law and provides accounting and audit services through her own firm in Treviso, Italy.

PRINCIPAL SHAREHOLDERS

As of the date of this Offering Memorandum, 80% of the share capital of the Issuer is held indirectly by PAI, with the remaining 20% held indirectly by Marcolin co-investors (together, the "**Existing Shareholders**").

After giving effect to the Marcolin Capital Increase, the Issuer's share capital will amount to €35,902,750 which we expect to be fully paid up, comprised of 68,287,083 shares, without par value, divided into 61,458,375 Class A shares, held entirely by Marmolada (and entirely indirectly held by the Existing Shareholders), and 6,828,708 Class B shares, held entirely by LVMH.

After giving effect to the Marcolin Capital Increase, 10% of the share capital of the Issuer will be directly held by LVMH, a European public company (*societas Europaea*) organized under the laws of the European Union, and the remaining 90% will be directly held by Marmolada, a private joint stock company (*società per azioni*) organized under the laws of the Republic of Italy. Marmolada is wholly-owned by 3Cime, a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy. 3Cime is in turn wholly-owned by Pelmo S.A., a corporation (*société anonyme*) organized by the laws of the Grand Duchy of Luxembourg which is itself wholly-owned by Tofane S.A., a corporation (*société anonyme*) organized by the laws of the Grand Duchy of Luxembourg.

The following sets forth certain information regarding the indirect ownership of the Issuer (through the vehicle Tofane S.A.), after giving effect to the Marcolin Capital Increase:

	Percentage of share capital
PAI(1)(A)	72.0%
LVMH(2)(B)	10.0%
Co-investors(A)	18.0%
of which	
CMG Partecipazioni S.r.l.(3)	5.4%
DDV Partecipazioni S.r.l.(4)	2.7%
ADV Partecipazioni S.r.l.(5)	2.7%
Tree Investimenti S.r.l.(6)	2.7%
Red Circle Investments S.r.l.(7)	4.5%
Total	**100.0%**

(1) PAI is a major European private equity firm that manages and advises private equity funds with a total equity value in excess of €7.9 billion. Certain funds managed and/or advised by PAI organized as French *fonds professionel de capital investissement* or English limited partners (the "**PAI Investors**") hold participations in Tofane S.A. The relations between PAI and the certain co investors in Tofane S.A. are governed by the Shareholders' Agreement (as defined below) as discussed under "*Principal Shareholders—Shareholders' Agreement*."

(2) LVMH Moët Hennessy Louis Vuitton SE is a European public company (*societas Europaea*) organized under the laws of the European Union. Pursuant to the PAI/LVMH Shareholders' Agreement, LVMH will be permitted to acquire additional shares of the Issuer. See "*Principal Shareholders—PAI/LVMH Shareholders' Agreement*." If the conditions precedent to the Marcolin Capital Increase are not satisfied, including, inter alia, the approval of M/L JV by the European Union anti-trust authorities, LVMH will not be required to subscribe to the Marcolin Capital Increase and the Issuer will remain a wholly-owned, direct subsidiary of Marmolada, indirectly held 80% by PAI and 20% by Marcolin Co-investors. See "*Risk Factors—Risks Related to Our Business—We may not be able to satisfy, or may experience delays in satisfying, the conditions required to conduct the Marcolin Capital Increase or complete the M/L JV Formation*."

(3) CMG Partecipazioni S.r.l. ("**CMG**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled indirectly by Mr. Cirillo Coffen Marcolin, Mr. Maurizio Coffen Marcolin, Mr. Giovanni Marcolin Coffen and Ms. Maria Giovanna Zandegiacomo (members of the Marcolin family and descendants of the founder of the Issuer).

(4) DDV Partecipazioni S.r.l. ("**DDV**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Diego Della Valle.

(5) ADV Partecipazioni S.r.l. ("**ADV**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Andrea Della Valle.

(6) Tree Investimenti S.r.l. ("**TI**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and indirectly controlled by Mr. Antonio Abete and Ms. Caterina Abete.

(7) Red Circle Investments S.r.l. ("**RCI**") is a limited liability company (*società a responsabilità limitata*) organized under the laws of the Republic of Italy and is owned and controlled by Mr. Renzo Rosso, Mr. Stefano Rosso and Mr. Andrea Rosso.

(A) Class A shares.

(B) Class B shares.

Classes of Shares

In connection with the M/L JV Formation and the Marcolin Capital Increase, we expect that our bylaws will be amended to provide for separate Class A and Class B shares. We expect that the Class A shares will be entirely held by Marmolada (and entirely indirectly held by the Existing Shareholders) and that the Class B shares will be entirely held by LVMH. We expect the Class A and Class B shares to entitle their holders to the same economic and voting rights but different corporate governance and transfer rights. The different corporate governance and transfer rights of the Class B shares include the right of LVMH to nominate one additional member of the Issuer's Board of Directors and the Tag-along Right, each as described below in "*Principal Shareholders—PAI/ LVMH Shareholders' Agreement*". In addition, we expect that the bylaws will also prohibit Marmolada from transferring their Class A shares before April 30, 2021 unless (i) in the case of a Marcolin IPO (as defined below), (ii) with the consent of LVMH, (iii) in the case of a transfer resulting from the enforcement of a pledge granted by Marmolada over any such Class A shares in favor of financial institutions, or (iv) in the case the shares of the Issuer held by LVMH (which may be Class A or Class B shares) are transferred.

Shareholders' Agreement

On December 5, 2012 and amended and restated on May 31, 2013, the PAI Investors, CMG, DDV, ADV, TI and RCI (as well as the underlying indirect shareholders thereof) (each a "**Party**," and collectively, the "**Parties**") signed a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement governs, among other things, the corporate governance of the Issuer and the intermediate holding companies (Marmolada, Pelmo S.A. and Tofane S.A.), transfer restrictions on the shares of Tofane S.A. and the relations among the Parties. The Shareholders' Agreement expires on December 5, 2017, and therefore automatically renews for two-year periods unless terminated in writing. The Shareholder's Agreement is governed by Italian law.

Corporate Governance Provisions

The Shareholders' Agreement establishes, among other things, the following corporate governance provisions:

- the board of directors of each of Tofane S.A., Pelmo S.A. and Marmolada will consist of seven or more members, as nominated in the following formula: one member nominated by CMG, one member nominated jointly by DDV and ADV, one member nominated by TI and the rest of the members nominated by PAI Investors, *provided, however,* that should any of CMG, DDV and ADV or TI cease to appoint a member of the boards of Tofane S.A., Pelmo S.A. and Marmolada for any reason, then RCI will be entitled to nominate one member of the relevant board;
- the Issuer's Board of Directors will consist of seven or more members (it currently has eleven members), as nominated in the following formula: one member nominated by CMG, one member nominated jointly by DDV and ADV, one member nominated by TI and the rest of the members nominated by PAI Investors; *provided, however,* that should any of CMG, DDV and ADV or TI cease to appoint a member of the Issuer's Board of Directors for any reason, then RCI will be entitled to nominate one member of the Issuer's Board of Directors;
- certain matters are reserved to the boards of directors and non delegable to singular members, including:
  - for Tofane S.A., Pelmo S.A. and Marmolada: decisions regarding voting rights at their respective shareholders' meetings, decisions regarding the issuance of financial instruments, decisions regarding sales of shares, options or other connected rights);
  - for the Issuer: decisions regarding the nomination of the Chief Executive Officer, the approval of the budget and business plan, decisions regarding a share capital increase excluding pre emptive rights, decisions regarding the sale of assets or participations in other companies, decisions regarding the signing of new license agreements, renewals of license agreements, decisions regarding financings and investments for material amounts and decisions regarding related party transactions for material amounts—in each case, decisions will be taken upon a simple majority vote of the Issuer Board of Directors; and
  - with respect to the adoption of any resolution regarding decisions concerning the right to vote in shareholders' meetings, decisions regarding the issue of securities and the sale, purchase, options and/or rights related to the shares of each of Tofane S.A., Pelmo S.A., Marmolada, as applicable, action may only be taken upon a simple majority of the relevant board of directors, and at least one member designated by any of CMG, DDV, ADV or TI dissents, then the other members nominated by each of CMG, DDV, ADV or TI, excluding the member who previously dissented from the relevant decision, and the members nominated by PAI Investors must meet to resolve the dissension, following which time a second vote of the relevant board of directors is to be convened, and, if the dissenting member continues to express dissent with respect to the decision, the Party that nominated such dissenting member will have the right to sell all (and not less than all) of its shares of Tofane S.A. to PAI Investors at a price set at their fair market value.

Transfer Restrictions; Lock-up

The Shareholders' Agreement contains the following transfer restrictions and lock-up provisions:

- the Parties may not sell or transfer their respective shares of Tofane S.A. on or prior to December 5, 2015, save for transfers which are permitted (i.e. to PAI Investors as discussed under "—*Corporate governance provisions*");
- subsequent to December 5, 2015, if PAI Investors receive an offer from a third party to purchase 100% or less of its shares of Tofane S.A., tag along rights are granted to each of CMG, DDV, ADV, TI and RCI which oblige such third party offeror to acquire 100% of the shares of such Parties or a *pro rata* percentage of such shares;
- subsequent to December 5, 2015, if any PAI Investors receives an offer from a third party to purchase 100% or less of its respective shares of Tofane S.A., drag along rights are granted to PAI Investors which oblige CMG, DDV, ADV, TI and/or RCI to sell either 100% of their respective shares if such third party offeror is seeking to acquire 100% or more than 50% of the shares of Tofane S.A., or such proportional amount if such third party offeror is seeking to acquire less than 50% of Tofane S.A.'s shares of the shares of PAI Investors or a pro rata percentage of such shares;
- the shares of Tofane S.A. are non transferrable, except among the Parties or otherwise consistent with the provisions of the Shareholders' Agreement, and PAI Investors is granted a right of first refusal;
- the interests of CMG, DDV, ADV, TI and RCI are non transferrable without prior written consent of PAI Investors, and PAI Investors is granted a pre emption right to acquire the interests that the relevant party is seeking to transfer.

Additional Provisions

In addition to the foregoing, the Shareholders' Agreement contains the following additional provisions:

- in the event of a capital increase and/or share offering of Tofane S.A., all such transactions unless otherwise agreed with the Parties, will be conducted at the fair market value thereof and without pre-emptive rights for existing shareholders; and
- in the event of the sale or transfer of Pelmo S.A. or Marmolada, PAI Investors will promptly make available to the shareholders of Tofane S.A., minus certain costs for administrative and transaction fees and any other withholdings required by law, such net proceeds of the sale or transfer in the form of dividends.

PAI/LVMH Shareholders' Agreement

The PAI/LVMH Shareholders' Agreement, entered into in connection with the execution of the M/L JVA (see "Summary—*Recent Developments—Joint Venture with LVMH*"), *inter alia*, (a) grants LVMH the right to nominate one additional member of the Issuer's Board of Directors and (b) sets forth the timing and respective rights of PAI and LVMH in connection with an IPO of the Issuer (a "**Marcolin IPO**") or a sale of the shares of the Issuer (whether directly by Marmolada or indirectly by PAI or any of the companies that directly or indirectly control the Issuer) to LVMH or a third party (a "**Marcolin Share Sale**"), including the Tag-along Right described below, a right of first offer and a right of first refusal for the benefit of LVMH.

According to the PAI/LVMH Shareholders' Agreement, PAI shall procure that, until April 30, 2021, no transfer of the shares of the companies directly or indirectly controlling the Issuer will occur, to the extent that, as a result of any such transfer, the Issuer ceases to be indirectly controlled by PAI. In addition, the PAI/LVMH Shareholders' Agreement provides that, in the event (i) PAI intends to transfer any of its shares of Tofane S.A. to a third party, (ii) Marmolada intends to transfer any of its shares of the Issuer to a third party or (iii) any other company directly or indirectly controlling the Issuer intends to transfer any of its shares in another company directly or indirectly controlling the Issuer to a third party (each, an "**Intended Transfer**") and as a result of any Intended Transfer the Issuer would no longer be indirectly controlled by PAI, LVMH will have the right to transfer all of its shares of the Issuer to such third party (including any shares acquired by exercising the LVMH Call Option, described below) (the "**Tag-along Right**").

Furthermore, in addition to the Issuer's shares subscribed to pursuant to the Marcolin Capital Increase, LVMH will have the right to acquire additional shares of the Issuer from Marmolada upon a Marcolin IPO or a Marcolin Share Sale (as the case may be) in proportion to the expected capital gain to the Existing Shareholders from such Marcolin IPO or Marcolin Share Sale (the "**LVMH Call Option**"). The Indenture will provide for additional share capital of the Issuer to the transferred to LVMH (a maximum of an additional 7.5% of which will not be pledged to secure the Notes) pursuant to the rights of LVMH to acquire additional share capital of the Issuer under the PAI/LVMH Shareholders' Agreement, including pursuant to the LVMH Call Option. See "*Description of the Notes—Security*."

The PAI/LVMH Shareholders' Agreement expires on January 31, 2022 and, upon expiry, automatically renews for further five-years periods, unless terminated in writing with a six-months prior notice. However, the provisions relating to the LVMH Call Option will be effective until January 31, 2032, and, in any event, the PAI/LVMH Shareholders' Agreement will terminate upon the earliest of, inter alia, any of the following events: (i) a Marcolin IPO, (ii) a Marcolin Share Sale, (iii) a direct or indirect transfer of shares of the Issuer as a result of which PAI no longer controls directly or indirectly the Issuer, (iv) a sale of all (or substantially all) of the Issuer's assets, (v) LVMH ceases to be a shareholder of the Issuer, or (vi) termination of the M/L JVA.

RELATED PARTY TRANSACTIONS

The following sets forth information related to transactions between us and related parties. For a description of certain other related party transactions, see Note 30 to each of Marcolin's audited consolidated financial statements as of and for the years December 31, 2013, 2014 and 2015 included elsewhere in this Offering Memorandum.

Transactions with TOD'S S.p.A.

We maintain a number of contractual and commercial arrangements with Milan-listed fashion house TOD'S S.p.A. ("**TODS**"), which is indirectly controlled by Mr. Diego Della Valle, an indirect shareholder of the Issuer. Specifically, we are party to a license agreement with TODS pursuant to which we have received rights to design, produce and distribute eyewear bearing the proprietary mark of "TOD'S." In addition, we were previously party to a license agreement granting rights to design, produce and distribute eyewear bearing the proprietary mark of "Hogan"; however, following an assessment of market conditions in 2012 by our directors, this arrangement was converted into a supply agreement pursuant to which we design and manufacture eyewear bearing the proprietary mark of Hogan solely upon order by and for sale to TODS. As a licensor of one of our current licensed brands and a purchaser under a supply agreement, TODS receives royalties and other fees from us, and TODS is also a customer. See also "*Business—Our Business—Licensed Brands*."

In connection with the renegotiation of the TOD'S license and termination of the Hogan license, we made certain non-recurring payments to TODS in 2013, €5.1 million was paid in January 2013, €5.1 million in July 2013 and €5.1 million in December 2013.

The transactions between the Group and TODS are conducted on an arms-length basis and for appropriate commercial purposes.

Transactions with OTB S.p.A.

We also maintain a number of contractual and commercial arrangements with holding company OTB S.p.A. ("**OTB**") and its affiliates, which is indirectly controlled by an indirect shareholder of the Issuer. As a licensor of certain of our current licensed brands, OTB receives royalties and other fees from us. OTB is also one of our customers.

The table below sets forth certain information concerning our transactions with TODS and OTB for the periods indicated.

Period	Payables		Receivables		Expenses		Revenues	
	OTB	*TODS*	*OTB*	*TODS*	*OTB*	*TODS*	*OTB*	*TODS*
				(€ in thousands)				
Year ended December 31, 2013	62	974	97	479	2,402	2,523	701	1,563
Year ended December 31, 2014	3,495	755	2	238	1,798	2,317	8	747
Year ended December 31, 2015	1,701	916	11	236	2,451	2,268	243	597
Nine months ended September 30, 2016	2,364	23	42	—	2,011	1,096	45	283

Transactions with M/L JV

Our transactions with M/L JV, including pursuant to the JV Shared Services Agreements, will be considered related party transactions. See "*Summary—Recent Developments—Joint Venture with LVMH*" and "*Business—Our Business—The M/L JV*" for more information.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Unless otherwise defined in this Offering Memorandum or unless the context otherwise requires, terms defined in the New Revolving Credit Facility Agreement and the Intercreditor Agreement shall have the same meanings when used in this section.

New Revolving Credit Facility

The following description is a summary of certain terms of and provisions that will be contained in our New Revolving Credit Facility Agreement. It does not restate or summarise all of the terms and conditions relating to the New Revolving Credit Facility Agreement and as such you are urged to read the New Revolving Credit Facility Agreement because it, and not the description that follows, sets out the terms of the New Revolving Credit Facility Agreement. Capitalised terms used and not defined herein shall have the meaning given to them in the New Revolving Credit Facility Agreement.

Overview and structure

On or about the date of this Offering Memorandum, the Issuer, the Guarantors, Credit Suisse International, Deutsche Bank AG, London Branch and UniCredit S.p.A. as mandated lead arrangers (together the "**Mandated Lead Arrangers**"), the financial institutions named therein as original lenders, UniCredit Bank AG, Milan Branch as Agent and as Security Agent, entered into the New Revolving Credit Facility Agreement.

The New Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €40.0 million on a committed basis. The New Revolving Credit Facility may be utilized by any current or future borrower (subject to certain exceptions) under the New Revolving Credit Facility Agreement in euro or certain other currencies by the drawing of cash advances or, subject to the appointment of an Issuing Bank, the issue of bank guarantees and/or documentary credits (including letters of credit) and by way of Ancillary Facilities.

Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used towards (directly or indirectly) financing or refinancing the general corporate and/or working capital purposes of the Issuer and its Restricted Subsidiaries and to (including, without limitation, directly or indirectly refinancing existing indebtedness (other than (i) the Existing 2019 Notes and/or (ii) the Notes (iii) and/or any Refinancing Indebtedness (as defined in the New Revolving Credit Facility) of the Notes) and/or directly or indirectly financing or refinancing capital expenditure, acquisitions, joint ventures, investments, operational restructurings or permitted reorganisations, restructuring costs, purchase price adjustments, redemption premium, break costs, original issue discount and additional financing fees).

Additional Facilities

The New Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum aggregate amount not to exceed (after taking account all of the commitments under the New Revolving Credit Facility) the amount able to be incurred under paragraph (1) of the second paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*", whether as a new facility or commitment, as an additional tranche of any existing facility or by increasing the commitments under an existing facility. Such additional facilities shall be secured and shall rank *pari passu* with the New Revolving Credit Facility. The lenders of any such additional facilities, if not already lenders under the New Revolving Credit Facility Agreement, shall be required to accede to the New Revolving Credit Facility Agreement and the Intercreditor Agreement and shall only have the benefit of the guarantees and Transaction Security (as defined in the New Revolving Credit Facility Agreement) granted in respect of the New Revolving Credit Facility unless any additional security and guarantees are also granted in favour of all the Lenders under the New Revolving Credit Facility Agreement. The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the New Revolving Credit Facility unless the maturity date of the New Revolving Facility is amended to match that of the additional facility and where the additional facility is borrowed within 12 months of the Issue Date, the margin in respect of the additional facility shall not exceed the aggregate of (i) the highest applicable margin of the New Revolving Credit Facility and (ii) 1.00 per cent. per annum unless the margin of the New Revolving Credit Facility is increased by an amount equal to any such excess.

Availability

The New Revolving Credit Facility may, subject to satisfaction of certain conditions precedent, be utilised from the Issue Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

Maturity and Repayment Requirements

The New Revolving Credit Facility matures approximately three months prior to the final maturity date of the Notes. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility must be repaid in full on or prior to the maturity date for the New Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be re-borrowed during the availability period for that facility, subject to certain conditions.

Interest Rate and Fees

The interest rate on cash advances under the New Revolving Credit Facility will be the percentage rate per annum equal to the aggregate of the applicable margin and EURIBOR in relation to cash advances in euro, or LIBOR in relation to all other cash advances (as each term is defined in the New Revolving Credit Facility Agreement). The initial margin under the New Revolving Credit Facility will be 3.75 per cent. Beginning from the date which falls at least twelve months from the Issue Date, the margin on the loans will be reduced or increased in accordance with certain Total Net Leverage ratios (as defined in the New Revolving Credit Facility Agreement) are met; the highest applicable margin being 3.75%. LIBOR and EURIBOR shall be subject to a floor of zero%.

A commitment fee will be payable on the aggregate undrawn and uncancelled amount of the New Revolving Credit Facility from (and including) the Issue Date to (and including) the last day of the availability period for the New Revolving Credit Facility at a rate of 35 per cent. of the then applicable margin for the New Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the New Revolving Credit Facility and on the date the New Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment. No commitment fee shall be payable unless the Issue Date occurs.

Default interest will be calculated as an additional 1% on the overdue amount. The Issuer is also required to pay certain fees (including arrangement fees and agency fees) to the Arrangers, Agent and the Security Agent in connection with the New Revolving Credit Facility.

Guarantees

The Issuer is the sole original borrower under the New Revolving Facility Agreement. Each of the Issuer and the Guarantors are the original guarantors under the New Revolving Credit Facility Agreement. Each of the Guarantors will, subject to any agreed limitation language, provide a senior guarantee of all amounts payable to the Finance Parties (as defined in the New Revolving Credit Facility Agreement). The New Revolving Credit Facility Agreement provides that other members of the Group may accede as borrowers and/or guarantors in respect of the New Revolving Facility Agreement in accordance with the terms and conditions set forth thereunder.

The New Revolving Credit Facility Agreement requires that (subject to agreed security principles), on (i) the date falling 90 days after the Issue Date and (ii) the date when the Annual Financial Statements (as defined in the New Revolving Credit Facility Agreement) are required to be delivered (commencing with the Annual Financial Statements delivered for the financial year ending 31 December 2017), the aggregate earnings before interest, tax, depreciation and amortisation of the guarantors is equal to at least 80 per cent. of the Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) of the group (subject to certain exceptions and adjustments) (the "**Guarantor Coverage Test**"). The Issuer shall ensure that, if the Guarantor Coverage Test is not satisfied, within 90 days of such relevant test date, such other Restricted Subsidiaries of the Issuer (subject to agreed security principles and certain other exceptions) become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on the last day of the relevant financial year).

Security

The New Revolving Credit Facility (subject to certain agreed security principles set out in the New Revolving Credit Facility Agreement) will be secured by security over certain assets as further described in the section entitled "*Description of the Notes—Security*." The New Revolving Credit Facility will be secured by security interests granted over the same Collateral that secures the Notes, as well as by a special lien (*privilegio speciale*) over the Issuer's movable assets.

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding under the New Revolving Credit Facility in priority to the Notes.

The New Revolving Credit Facility provides that guarantees and/or security may be released in certain circumstances; including in connection with certain disposals and to facilitate an Initial Public Offering of the Company.

Representations and Warranties

The New Revolving Credit Facility Agreement contains certain representations and warranties, subject to certain materiality, actual knowledge and other qualification, exceptions and baskets, and with certain representations and warranties being repeated, including among others: (i) status; (ii) binding obligations; (iii) non-conflict with other obligations; (iv) power and authority; (v) validity and admissibility in evidence; and (vi) governing law and enforcement.

Covenants

The New Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the New Revolving Credit Facility Agreement also contains certain affirmative and negative covenants and reporting requirements. Set forth below is a brief description of such covenants, all of which are subject to materiality, actual knowledge or other qualifications, exceptions and baskets.

Affirmative Covenants

The affirmative covenants include, among others: (i) notes purchases condition covenant, (ii) authorizations and consents, (iii) compliance with laws; (iv) environmental compliance; (v) payment of taxes; (vi) a *pari passu* covenant; (vii) maintenance of intellectual property and insurance; (viii) funding of pension schemes; (ix) maintenance of Guarantor Coverage Test; (x) anti-corruption and sanctions; and (xi) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) changing the centre of main interest of a borrower or guarantor, (ii) US margin regulations and ERISA provisions; and (iii) subject to certain exceptions: (a) segregating assets as provided in article 2447-*bis* of the Italian Civil Code, (b) entering into transactions which could qualify as a *finanziamento destinato* pursuant to article 2447-*decies* of the Italian Civil Code, or (c) issuing any class of stock or other financial instruments under Article 2447-*ter* of the Italian Civil Code. Otherwise, the negative covenants in the New Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Mandatory Prepayment Requirements upon a Change of Control

The Issuer is required to notify the Agent under the New Revolving Credit Facility Agreement of a Change of Control (as defined in the New Revolving Credit Facility Agreement), following which each lender under the New Revolving Credit Facility Agreement is entitled to require, by written notice to the Issuer, repayment of all outstanding amounts owed to that lender and the cancellation of that lender's commitments. Notwithstanding the foregoing, any Ancillary Lender or, as the case may be, Issuing Bank may, as between itself and the relevant member of the Group, agree to continue to provide such Ancillary Facility or, as the case may be, Letter(s) of Credit (with such arrangements continuing on a bilateral basis and not as part of, or under, the Finance Documents and the Transaction Security shall not, following release by the Security Agent, secure any such Letter(s) of Credit or Ancillary Facility in respect of any claims that arise after such cancellation).

Mandatory Prepayment Requirements in relation to an Initial Public Offering

The Issuer is required to notify the Agent under the New Revolving Credit Facility Agreement if (i) an Initial Public Offering has occurred and (ii) the Total Net Leverage ratio (calculated on a quarterly basis, in a manner consistent with 'Financial Covenant' below) is greater than 3.50:1, and the New Revolving Credit Facility Agreement provides that, in such circumstances, the New Revolving Credit Facility (and all Ancillary Outstandings) will be cancelled and become due and payable within 30 Business Days.

Financial Covenant

The New Revolving Credit Facility will require the Company to comply with a "*financial covenant*", which will be based on the Total Net Leverage ratio (being the ratio of the total net indebtedness to consolidated EBITDA, as defined in and calculated pursuant to the New Revolving Credit Facility Agreement), and whereby non-compliance will result in an event of default. The financial covenant will be tested quarterly on a rolling basis, subject to, among others, the New Revolving Credit Facility being at least 40% utilised on the relevant test date.

Events of Default

The New Revolving Credit Facility Agreement provides for some of the same events of default, with certain adjustments, as under the Notes. In addition, the New Revolving Credit Facility Agreement provides for certain events of default, all of which are subject to materiality and other qualifications, exceptions, baskets and/or grace periods, as appropriate, including: (i) failure to pay (a) any principal or interest when due subject to a five business day grace period, and (b) any other amount when due subject to a 30 day grace period; (ii) failure to comply with (a) the requirement to grant certain security within 10 business day of the Issue Date, and (b) any other provision of the New Revolving Credit Facility Agreement and/or any other Finance Document subject to a 45 day grace period; (iii) breach of the financial covenant under the New Revolving Credit Facility Agreement; (iv) representations or warranties found to be untrue or misleading when made or deemed repeated subject to a 45 day grace period; (v) cross-acceleration to the Notes or Refinancing Indebtedness (as defined in the New Revolving Credit Facility Agreement) of the Notes; (vi) unlawfulness and invalidity;(vii) failure to comply in any material respect with the provisions of, or the material obligations under, the Intercreditor Agreement subject to a 30 day grace period; (viii) cessation of business; (ix) expropriation; (x) repudiation and rescission subject to a 30 day grace period; (xi) certain insolvency events of default consistent with the insolvency events of default, with certain adjustments, as under the Notes; and (xii) certain events relating to the ERISA provisions and US insolvency law provisions (including in respect of automatic acceleration).

The New Revolving Credit Facility Agreement will also contain a clean-up period of 90 days in relation to certain events of default occurring by reason of an acquisition of a new member of the Group.

New Intercreditor Agreement

Intercreditor Agreement

To establish the relative rights of the Senior Secured Creditors (as defined below), the Future Senior Subordinated Creditors (as defined below), the Issuer, the Guarantors, the Security Providers (that are members of the Group) and any future Guarantors in respect of the Senior Secured Notes and any obligor in respect of the New Revolving Credit Facility, Future Pari Passu Debt (as defined below) and Future Senior Subordinated Debt (as defined below) (collectively, the "**Debtors**"), the Intragroup Lenders (as defined below) and the Shareholder Subordinated Lenders (as defined below) will enter into an intercreditor agreement dated on or about the Issue Date.

By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, that will be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes. Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the New Revolving Credit Facility, the Senior Secured Notes Indenture and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail.

Capitalised terms used and not defined herein shall have the meaning given to them in the Intercreditor Agreement.

Overview

The Intercreditor Agreement sets out, among other things:

- the relative ranking of certain debt of the Issuer and certain of its subsidiaries in respect of New Revolving Credit Facility liabilities, the Senior Secured Note liabilities, Future Pari Passu Debt (as defined below), the Super Senior Hedging Liabilities (as defined below), the Pari Passu Hedging Liabilities (as defined below), Future Senior Subordinated Debt (as defined below), the Intra-Group Liabilities (as defined below) and the Shareholder Debt Liabilities (as defined below);
- the relative ranking of certain security granted by certain members of the Group (as defined below);
- when payments can be made in respect of certain indebtedness of the Group;
- when enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") can be taken, including in respect of the Transaction Security (as defined below);
- provisions relating to the making of any acceleration or demand for payment in respect of the Notes;
- the terms pursuant to which certain indebtedness will be subordinated upon the occurrence of certain insolvency events;
- the requirement to turnover amounts received from enforcement of the Transaction Security and certain guarantees;
- when the Transaction Security and any guarantee(s) issued by certain Debtors will be released to permit an enforcement sale;
- the circumstances in which creditors' claims (including noteholders' claims against the Issuer) might be required to be transferred to third parties or released to assist in enforcement; and
- the order for applying proceeds from the enforcement of the Transaction Security, certain guarantees and other amounts received by the Security Agent.

Parties

The senior secured creditors (together the "**Senior Secured Creditors**") will include, among others, the agent under the New Revolving Credit Facility (the "**Senior Agent**"), the Security Agent, the lenders under the New Revolving Credit Facility (the "**RCF Lenders**"), issuing banks and ancillary lenders under the New Revolving Credit Facility and the Senior Secured Notes Trustee for the holders of the Senior Secured Notes. The Intercreditor Agreement will also allow for accession by creditors of future loan or bond indebtedness incurred by, among others, Holdco and/or the Debtors (which is permitted by or not restricted under the terms of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt (as defined below) and the Future Senior Subordinated Debt (as defined below)), including any senior secured notes issued after the Issue Date pursuant to the Senior Secured Notes Indenture ("**Additional Senior Secured Notes**"), to share in the relevant security shared by the Senior Secured Creditors (the "**Future Pari Passu Debt**") and hedge counterparties party to interest rate or foreign exchange hedging agreements referred to below, which are secured on a super senior basis (the "**Super Senior Hedging Agreements**") (the "**Super Senior Hedging Banks**") and hedge counterparties party to interest rate hedging agreements, foreign exchange hedging agreements or commodity hedging agreements referred to below which are secured on a *pari passu* basis (the "**Pari Passu Hedging Agreements**") (the "**Pari Passu Hedging Banks**" and, together with the Super Senior Hedging Banks, the "**Hedging Banks**"). Holders of Future Pari Passu Debt and such hedge counterparties are also Senior Secured Creditors.

The Intercreditor Agreement will also allow for accession by creditors of future indebtedness of Holdco and/or the Debtors (which is permitted by or not restricted under the terms of the finance documents relating to debt owing to the Senior Secured Creditors as senior secured creditors (the "**Senior Secured Debt**") and the Future Senior Subordinated Debt (as defined below)) and provided that such future indebtedness complies with agreed parameters (if any) for the relevant class of such future indebtedness. Any such future indebtedness that is subordinated to the Senior Secured Debt and complies with agreed parameters (if any) for senior subordinated debt shall be "**Future Senior Subordinated Debt**" for the purposes of the Intercreditor Agreement. Holders of

Future Senior Subordinated Debt are "**Future Senior Subordinated Creditors**". There will, subject to the agreement of the Security Agent, be a single Security Agent appointed to act at all times on behalf of all Senior Secured Creditors and Future Senior Subordinated Creditors.

Neither the Issuer nor any of its Restricted Subsidiaries (each a member of the "**Group**") nor shareholder of a member of the Group which is not otherwise party to (1) a document creating security in favour of the Senior Secured Creditors or the Future Senior Subordinated Creditors or (2) the debt documents thereby secured, will be party to the Intercreditor Agreement save for (i) any shareholder of the Issuer in respect of any existing or future loan made to the Issuer or any of its Restricted Subsidiaries (each a "**Shareholder Subordinated Lender**") (and the Intercreditor Agreement will contain subordination provisions and restrictions relating to the receivables owing from any member of the Group to any Shareholder Subordinated Lender (the "**Shareholder Debt Liabilities**")), (ii) Holdco in respect of any existing or future proceeds loan made to the Company in respect of the proceeds of any Future Senior Subordinated Liabilities of Holdco in its capacity as principal debtor ("**Shareholder (Proceed Loan) Liability**"), and (iii) certain members of the Group that lend to a Debtor (each an "**Intragroup Lender**") that will accede to the Intercreditor Agreement with respect to the loans or indebtedness owing from such Debtor to such member of the Group in respect of intra-group loans, (the "**Intra-Group Liabilities**"). The Intercreditor Agreement will contain subordination provisions relating to any Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the New Revolving Credit Facility or the Senior Secured Notes Indenture is continuing.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement will provide that the Liabilities, as the case may be, in respect of the New Revolving Credit Facility (the "**New Revolving Credit Facility Liabilities**"), the Senior Secured Notes (the "**Senior Secured Notes Liabilities**"), the Future Pari Passu Debt (the "**Future Pari Passu Debt Liabilities**"), the amounts owing to the Super Senior Hedging Banks under the Super Senior Hedging Agreements (the "**Super Senior Hedging Liabilities**") and the amounts owing to the Pari Passu Hedging Banks under the Pari Passu Hedging Agreements (the "**Pari Passu Hedging Liabilities**") and certain costs and expenses of the Senior Secured Notes Trustee (the "**Senior Secured Trustee Liabilities**") will rank equally (without preference among them) in right and priority of payment and in priority to the liabilities of the Debtors, as the case may be, in respect of the Future Senior Subordinated Debt (the "**Future Senior Subordinated Debt Liabilities**"), Shareholder (Proceed Loan) Liabilities, Intra-Group Liabilities and the Shareholder Debt Liabilities (other than Shareholder (Proceed Loan) Liabilities).

The Future Senior Subordinated Debt will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities. The Shareholder (Proceed Loan) Liabilities will rank in priority to the Intra-Group Liabilities and the Shareholder Debt Liabilities other than Shareholder (Proceed Loan) Liabilities).

The Intercreditor Agreement will not rank any of liabilities and/or obligations owed by Holdco to any Creditor.

Priority of Security

The Intercreditor Agreement shall provide that the Transaction Security (as defined below) shall rank and secure the following liabilities in the following order (and subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below):

- **first**, the New Revolving Credit Facility Liabilities, the Super Senior Hedging Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Debt Liabilities, certain costs and expenses of the Senior Secured Trustee and the Pari Passu Hedging Liabilities; and
- **second**, the Future Senior Subordinated Debt Liabilities.

If security is to be granted for Future Pari Passu Debt then, to the extent such Future Pari Passu Debt cannot be secured on a *pari passu* basis with the Senior Secured Debt without existing security first being released, the Parties agree that such Future Pari Passu Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a second- or lesser- ranking basis and such Future Pari Passu Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security *pari passu* with Senior

Secured Debt which would otherwise have the same ranking as contemplated above and any amounts to be applied towards such Future Pari Passu Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

If security is to be granted for Future Senior Subordinated Debt then, to the extent such Future Senior Subordinated Debt cannot be secured on a subordinated basis with the Senior Secured Debt and/or on a *pari passu* basis with other Future Senior Subordinated Debt without existing security first being released, the Parties agree that such Future Senior Subordinated Debt will (to the extent permitted by applicable law) be secured pursuant to the execution of additional security documents securing the same assets subject to the relevant security on a lesser- ranking basis and such Future Senior Subordinated Debt will nonetheless be deemed and treated for the purposes of the Intercreditor Agreement to be secured by such security as contemplated above and any amounts to be applied towards such Future Senior Subordinated Debt shall be applied accordingly. In the event that it is not possible to permit the recreation of additional security documents as referred to above, no amendments or release of security under the existing security documents shall be permitted unless permitted under the documents thereby secured (including, for the avoidance of doubt, the retaking of any such security as required by the relevant secured document), or if not so permitted under a specific document, without the consent of the required creditors under that document.

Equivalent provisions to the two paragraphs above are included in the Intercreditor Agreement in respect of additional credit facilities that are to benefit from a similar position under the terms of the Intercreditor Agreement to that of the New Revolving Credit Facility. See the section entitled “General” below.

Any guarantees or security to be provided by (or over the shares or assets of) the Issuer or a Restricted Subsidiary of the Issuer in respect of the Future Senior Subordinated Debt shall be given on a subordinated basis and shall not be given if such entity has not also given, or does not also give, a corresponding guarantee or security in relation to the Senior Secured Debt.

Payments and Prepayments; Subordination of the Future Senior Subordinated Debt

The Debtors may make payments and prepayments in respect of the New Revolving Credit Facility, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, and the Senior Secured Notes at any time in accordance with their terms and may prepay or acquire the Senior Secured Notes subject to compliance with any conditions relating to purchases of Senior Secured Notes described in the Senior Secured Notes Indenture and/or the New Revolving Credit Facility Agreement.

Holdco may make payments and prepayments in respect of Future Senior Subordinated Debt at any time.

Prior to the discharge of all Senior Secured Debt, neither the Issuer nor any Guarantor may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of the Majority Super Senior Secured Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) except for, among others, the following:

(1) if:

  (a) the payment is of:

    (i) any of the principal or interest (including capitalized interest) amount of the Future Senior Subordinated Debt Liabilities which is either (1) not prohibited from being paid by a New Revolving Credit Facility finance document, the Senior Secured Notes Indenture or any Future Pari Passu Debt finance document or (2) is paid on or after the final maturity of the Future Senior Subordinated Debt Liabilities (provided that such maturity is not earlier than that contained in the documents evidencing the Future Senior Subordinated Debt Liabilities as of the first date of incurrence of such Future Senior Subordinated Debt Liabilities); or

    (ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Debt Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities and amount in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt,

or, in each case, a corresponding amount of Shareholder (Proceed Loan) Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

(c) no payment default under the New Revolving Credit Facility and no payment default of € 100,000 (or its equivalent in other currencies) or more in respect of the Senior Secured Notes Liabilities or Future Pari Passu Debt Liabilities is continuing (a "**Senior Payment Default**"); or

(2) reasonable costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated debt documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated debt documents);

(3) reasonable costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the New Revolving Credit Facility, the Senior Secured Notes Indenture and any Future Pari Passu Debt document; or

(4) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain costs and expenses payable to the Future Senior Subordinated Debt Representative.

Prior to the discharge of all the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing payments in respect of the Future Senior Subordinated Debt Liabilities (other than certain exceptions) are suspended.

Prior to the discharge of all the Senior Secured Debt, if an event of default (other than a Senior Payment Default) under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") has occurred and is continuing and the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") has received a Payment Blockage Notice from either the Senior Agent or the Senior Secured Notes Trustee or the representative of the Future Pari Passu Debt representing Future Pari Passu Debt (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Default, confirming that it is a Senior Default and specifying the relevant Senior Default; all payments in respect of the Future Senior Subordinated Debt liabilities (other than those consented to by the Majority Super Senior Creditors and Majority Senior Secured Creditors and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents; or

(ii) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(iii) 179 days after the receipt by the Future Senior Subordinated Debt Representative of the Payment Blockage Notice;

(iv) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

(vi) the date on which the Security Agent or Future Senior Subordinated Debt Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vii) the date on which the relevant event of default is no longer continuing and if the Senior Secured Debt has been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

(viii) if a Standstill Period (as defined below) is in effect at any time after delivery, of a Payment Blockage Notice, the date on which the Standstill Period expires.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a

Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant debtor may then make those payments it would have otherwise been entitled to pay under the Future Senior Subordinated Debt and if it does so promptly any event of default under the Future Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill

Prior to the discharge of all the Senior Secured Debt, neither the Future Senior Subordinated Debt Representative nor the holders of the Future Senior Subordinated Debt may take Enforcement Action with respect to the Future Senior Subordinated Debt (including any action against the Issuer or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by an Instructing Group (as defined below), except if (1) an event of default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at final maturity or (2):

(a) an event of default under the debt documents for the Future Senior Subordinated Debt is continuing;

(b) the Senior Agent and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that in the case of (2) only, no such action may be taken if the Security Agent is acting in accordance with the instructions of the Instructing Group to take steps for Enforcement and such action might reasonably likely adversely affect such Enforcement.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice on the Senior Agent and the Future Senior Subordinated Debt Representative and the representative of any Future Pari Passu Debt until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Creditors take Enforcement Action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Holdco Group;

(c) the date on which an insolvency event occurs in respect of Holdco or a particular Debtor owing any Future Senior Subordinated Debt against whom Enforcement Action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Enforcement by Holders of Secured Debt

Prior to the date upon which all amounts (actual or contingent) owing under the New Revolving Credit Facility are fully discharged and paid in full and all commitments thereunder are irrevocably cancelled (the "**RCF**

Discharge Date"), the Security Agent will act on the instructions of (i) the RCF Lenders and the Super Senior Hedging Banks whose super senior credit participations represent more than 66 2/3% of the aggregate super senior credit participations of all RCF Lenders and such Super Senior Hedging Banks and their relevant representatives (the "**Majority Super Senior Creditors**") and/or (ii) the holders of the Senior Secured Notes, the holders of Future Pari Passu Debt and the Pari Passu Hedging Banks (collectively, the "**Pari Passu Creditors**") whose aggregate senior secured credit participations represent more than 50% of the aggregate senior secured credit participations of all such creditors (the "**Majority Senior Secured Creditors**"), in each case subject to the consultation period referred to below and provided that such instructions are consistent with the security enforcement principles set forth below.

Following the RCF Discharge Date, the Security Agent will act on the instructions of the Majority Senior Secured Creditors.

Consultation

Prior to giving any instructions to the Security Agent to commence enforcement of all or part of the Transaction Security and/or the requesting of a distressed disposal and/or the release or disposal of claims or Transaction Security on a distressed disposal ("**Enforcement**"), the relevant representative of the Senior Secured Debt shall notify the other Senior Secured Debt representatives that the applicable Transaction Security has become enforceable. As soon as reasonably practicable after receipt of such a notice instructing the Security Agent to solicit instructions to enforce security given by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors, the Security Agent shall distribute such notice to the relevant addressees promptly upon receipt, following which, the Senior Agent (acting on the instructions of the Majority Super Senior Creditors), the Senior Secured Notes Trustee and the representative of the holders of Future Pari Passu Debt will consult in good faith with each other and the Security Agent for a period of 15 days from the date such notice is received by such persons (or such shorter period as the relevant parties may agree) with a view to coordinating the instructions to be given by an Instructing Group and agreeing an enforcement strategy (the "**Consultation Period**").

No such consultation shall be required (and an Instructing Group shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of the Consultation Period, in each case provided such instructions comply with the Security Enforcement Principles set forth below ("**Qualifying Instructions**")) where:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event affecting Holdco, the Issuer, or a borrower or a guarantor or any subsidiary that is a "**Significant Subsidiary**" or "**Material Company**" or a group of subsidiaries that combined would constitute a "**Significant Subsidiary**" or "**Material Company**" under the Senior Secured Notes Indenture or the New Revolving Credit Facility (as applicable) (each a "**Relevant Company**"); or

(b) the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (each an "**Instructing Group**", provided that (i) with respect to any Enforcement the Instructing Group shall consist of the Majority Super Senior Creditors and the Majority Senior Secured Creditors or (in certain circumstances and subject to certain requirements set out in the Intercreditor Agreement) just the Majority Super Senior Creditors or just the Majority Senior Secured Creditors, (ii) after the Credit Facility Lender Discharge Date the Instructing Group shall be the Majority Senior Secured Creditors, (iii) after the Senior Secured Debt Discharge Date the Instructing Group shall be the Majority Future Senior Subordinated Creditors and (iv) in relation to the Credit Facility Specific Security only the Instructing Group shall be the Majority Credit Facility Lenders) determine in good faith (and notifies each other representative agent of the other creditors party to the Intercreditor Agreement) that any delay caused by such consultation could reasonably be expected to reduce the amount likely to be realised to a level such that (following application thereof in accordance with the Payment Waterfall described below) the Super Senior Liabilities would not be discharged in full or to have a material adverse effect on the ability to effect an Enforcement or a Distressed Disposal and, in each case any instructions will be limited to those necessary to protect or preserve the interests of the Senior Secured Creditors on behalf of which the relevant Instructing Group is acting and the Security Agent shall act in accordance with the instructions first received.

If following the Consultation Period, the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.

Subject to the paragraph below, in the event that conflicting instructions (and for these purposes silence is deemed to be a conflicting instruction) are received from either Instructing Group by the end of the Consultation

Period (which have not be resolved), the Security Agent shall enforce the Transaction Security and/or refrain from enforcing the Transaction Security and/or take the relevant other Enforcement Action in accordance with the instructions provided by the Majority Senior Secured Creditors, in each case provided such instructions are Qualifying Instructions and the terms of all instructions received by the Majority Super Senior Creditors during the Consultation Period shall be deemed revoked.

If prior to the RCF Discharge Date:

(a) the Super Senior Liabilities have not been repaid in full in cash within six months of the end of the Consultation Period;

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the end of the Consultation Period; or

(c) an insolvency event has occurred with respect to a Relevant Company and the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action at that time with respect to such Relevant Company,

then the Security Agent shall thereafter follow any instructions that are subsequently given by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors).

Security Enforcement Principles

Unless otherwise agreed between the Majority Super Senior Creditors and the Majority Senior Secured Creditors, enforcement of the Transaction Security must be conducted in accordance with the "Security Enforcement Principles", which are summarized as follows:

(a) It shall be the aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realisation of value from enforcement of the Transaction Security, and in a manner consistent with the Intercreditor Agreement, the recovery of the RCF Lenders, the Hedging Banks, the holders of the Senior Secured Notes, the holders of the Future Pari Passu Debt and the holders of the Future Senior Subordinated Debt (to the extent the Transaction Security is expressed to secure such debt) (in each case without prejudice to the Payment Waterfall) (the "**Security Enforcement Objective**") subject to applicable law.

(b) The Security Enforcement Principles may be amended, varied or waived with the prior written consent of Senior Secured Notes Required Holders (as defined below), the Future Pari Passu Debt Required Holders (as defined below) and the Majority Super Senior Creditors.

(c) Without prejudice to the Security Enforcement Objective the Transaction Security will, subject to applicable law, be enforced such that either (1) all proceeds of Enforcement are received by the Security Agent in cash (or substantially all cash) for distribution in accordance with the Payments Waterfall; or (2) sufficient proceeds of Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(d) On (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds € 5.0 million (or its equivalent); or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall (unless such enforcement or sale is made pursuant to a public auction, a public offering or process supervised by a court of law which makes a determination as to value) obtain an opinion from a reputable internationally recognized investment bank or international accounting firm or other reputable, third-party professional firm that is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced (a "**Financial Advisor**") to opine (A) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize recovery, (B) that the proceeds received from enforcement is fair from a financial point of view after taking into account all relevant circumstances (provided that the provider of such opinion may limit its liability in respect of such opinion to the amount of its fees in respect of such engagement), and (C) that such sale is otherwise in accordance with the Security Enforcement Objective.

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement or any other provision of the Intercreditor Agreement.

Turnover

The Intercreditor Agreement will also provide that if any Primary Creditor (as defined below) receives or recovers the proceeds of any enforcement of any Transaction Security and in addition if any Future Senior Subordinated Debt Creditor receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "Application of Proceeds/Waterfall" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

In addition, the Intercreditor Agreement will also provide that if any Senior Secured Notes Creditor, Future Pari Passu Creditor or Future Senior Subordinated Creditor receives or recovers the proceeds of any guarantee of the Senior Secured Notes, the Future Pari Passu Debt and/or the Future Senior Subordinated Debt (the "**Senior Guarantee Liabilities**") except in accordance with the "Application of Guarantee Proceeds/Waterfall" described below, that it will:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and promptly pay that amount or an amount equal to that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities owed to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Application of Proceeds/Waterfall

All amounts received or recovered by the Security Agent in connection with the realisation of all or any part of the Transaction Security (other than the special lien (*privilegio speciale*)) or on an Enforcement or Distressed Disposal or otherwise paid to the Security Agent in accordance with the Intercreditor Agreement for application in accordance with the Payments Waterfall will be paid to the Security Agent for application in accordance with the following payments waterfall (the "**Payments Waterfall**"):

- **first**, in payment of the following amounts in the following order (i) *pari passu* and *pro rata* any sums owing to the Senior Secured Notes Trustee and Security Agent (or any receiver or delegate) in respect of their costs and expenses and then (ii) *pari passu* and pro rata to each other creditor representative to the extent not included in (i) above in respect of their costs and expenses;
- **secondly**, *pari passu* and *pro rata*, in or towards payment of all costs and expenses incurred by the holders of Super Senior Liabilities in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **thirdly**, *pari passu* and *pro rata* to (i) the RCF Lenders in respect of all amounts then due and payable to the RCF Lenders at such time; and (ii) to the Super Senior Hedging Banks in respect of amounts then due and payable under any Super Senior Hedging Agreements (a) relating to hedging interest rate exposures under the Senior Secured Notes, Additional Senior Secured Notes, Future Pari Passu Debt,

Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is floating rate debt and (b) relating to hedging exchange rate exposures under any Future Pari Passu Debt, Future Senior Subordinated Debt or any other financial indebtedness which, in each case, is not denominated in Euros;

- **fourth**, *pari passu* and *pro rata* to the Senior Secured Notes Trustee (and/or the representative of any Future Pari Passu Creditors) for application towards any unpaid costs and expenses incurred by or on behalf of any holders of Senior Secured Notes, holders of Future Pari Passu Debt or holders of Pari Passu Hedging Liabilities in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **fifth**, *pari passu* and *pro rata* to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities, to the representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt for application towards the discharge of all Future Pari Passu Debt Liabilities and to the Pari Passu Hedging Banks in respect of amounts then due and payable under any Pari Passu Hedging Agreements;
- **sixth**, (to the extent such Security secures such Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Debt Representative of all costs and expenses incurred by the holders of Future Senior Subordinated Debt in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent;
- **seventh**, (to the extent such Security secured such Liabilities) *pari passu* and *pro rata* in or towards payment to the Future Senior Subordinated Representative on behalf of the holders of Future Senior Subordinated Debt for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and
- **eighth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled thereto.

For the avoidance of doubt (other than as provided above) payments of the proceeds of Enforcement or a Distressed Disposal (or other amounts to be applied in accordance with the Payments Waterfall) may only be made to the Senior Secured Notes Trustee for the holders of the Senior Secured Notes, if all payments then due and payable under the New Revolving Credit Facility to the RCF Lenders, ancillary lenders and issuing bank and to the Super Senior Hedging Banks in respect of the Super Senior Hedging Liabilities and the other payments referred to under "thirdly" above (together, the "**Super Senior Liabilities**") have been paid in full.

All amounts from time to time received by the Security Agent in connection with the realization or enforcement of all or any part of the special lien (*privilegio speciale*) shall be held by the Security Agent for application at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in payment to the Senior Agent for payment in accordance with the relevant debt documents.

Application of Guarantee Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in respect of Senior Guarantee Liabilities will be paid to the Security Agent for application in accordance with the following guarantee payments waterfall:

- **first**, in payment of the following amounts in the following order: (i) *pari passu* and *pro rata* any sums owing to the Senior Secured Notes Trustee and Security Agent in respect of their costs and expenses and then (ii) *pari passu* and *pro rata* to each creditor representative of the holders of the Senior Secured Notes, holders of the Future Pari Passu Debt and holders of Future Senior Subordinated Debt to the extent not included in (i) above in respect of their costs and expenses;

- **second**, *pari passu* and *pro rata* to the Senior Secured Notes Trustee on behalf of the holders of the Senior Secured Notes for application towards the discharge of all Senior Secured Notes Liabilities and to each Creditor representative of the holders of Future Pari Passu Debt on behalf of such holders of Future Pari Passu Debt it represents for application towards the discharge of all Future Pari Passu Debt Liabilities;

- **third**, *pari passu* and *pro rata* to each Future Senior Subordinated Debt Representative on behalf of the holders of Future Senior Subordinated Debt it represents for application towards the discharge of all amounts then due and payable to the holders of Future Senior Subordinated Debt at that time; and

- **fourth**, after the final discharge date, to any relevant Debtor or such other person as may be entitled to it. Payments made in breach of both of the above sections will be held in trust by the relevant recipient and turned over to the Security Agent for application in accordance with this paragraph above.

Acceleration

If an event of default occurs under the New Revolving Credit Facility, the Senior Secured Notes or Future Pari Passu Debt then any decision to accelerate the New Revolving Credit Facility or Senior Secured Notes or Future Pari Passu Debt and, subject as provided below, to take any other Enforcement Action will be determined in accordance with the provisions of the New Revolving Credit Facility or the Senior Secured Notes Indenture or in accordance with the terms of the Future Pari Passu Debt (as applicable). The Intercreditor Agreement will contain provisions requiring each representative of any Pari Passu Creditors, the Senior Agent and the Senior Secured Notes Trustee to notify the other representatives of the Senior Secured Creditors and the Future Senior Subordinated Creditors of any instructions to accelerate the New Revolving Credit Facility, Senior Secured Notes or Future Pari Passu Debt (as applicable).

Non-distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Senior Secured Notes Indenture and the debt documents for the Future Pari Passu Debt and the Future Senior Subordinated Debt and the finance documents for the New Revolving Credit Facility, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security (and in connection with such release, execute any related documents); and (ii) in respect of a disposal to a person or persons outside the Group, if the relevant asset consists of shares in the capital of an Debtor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Debtor and the shares in and assets of any of its subsidiaries.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its liabilities to the Senior Secured Creditors or Future Senior Subordinated Creditors or others or otherwise in connection with the Transactions ("**Primary Liabilities**") or other liabilities it may have to Shareholder Subordinated Lenders, Intragroup Lenders or Debtors ("**Other Liabilities**"); (b) any Transaction Security granted by: that Debtor or any subsidiary of that Debtor over any of its assets; and any holding company of that Debtor over any shares, loans, claims or other rights in or against that Debtor; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender, or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by: any subsidiary of that holding company over any of its assets; and any holding company of that holding company over any shares, loans, claims or other rights in or claims against that holding company; and (c) any other claim of a Shareholder Subordinated Lender, Intragroup Lender or another Debtor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor, to provide, for (1) the transfer of liabilities to another Debtor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Debtor or holding company (which may include claims against the Issuer).

If the Instructing Group is constituted by the Majority Senior Secured Creditors, Super Senior Liabilities may not be released or disposed of unless sufficient cash proceeds are received from the relevant Distressed Disposal and applied in discharge in full of all Super Senior Liabilities.

If before the Future Senior Subordinated Debt Discharge Date, and provided that the Issuer or any guarantor of Future Senior Subordinated Debt has outstanding Future Senior Subordinated Debt Liabilities and provided further that if any Future Senior Subordinated Debt has been incurred by Holdco the proceeds were on-lent to the Company pursuant to a Shareholder Proceed Loan, a Distressed Disposal is being effected such that Future Senior Subordinated Liabilities owed by the Issuer and/or such guarantors and security granted by or over the assets of the Issuer or any such guarantor will be released, it is a further condition to the release that either:

(i) the Future Senior Subordinated Debt Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders; or

(ii) each of the following conditions are satisfied:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all present and future obligations owed to the senior secured creditors under the Senior Secured Debt documents by a member of the Group all of whose shares that are pledged in favor of the Senior Secured Creditors are sold or disposed of pursuant to such Enforcement Action, are unconditionally released and discharged or sold or disposed of or transferred concurrently with such sale or disposal (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security granted by a member of the Group in respect of the liability owed to the Senior Secured Creditors under the Senior Secured Debt documents in respect of the assets that are so sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(I) pursuant to a public auction or public offering; or

(II) where an internationally recognized investment bank or an internationally recognized firm of accountants selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement and the circumstances giving rise to such sale, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

The Intercreditor Agreement may also provide for a mechanism whereby, in circumstances where such liabilities would otherwise be released, such liabilities may instead, upon notice, be transferred to Holdco or another Debtor.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "—Application of Proceeds/Waterfall" as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Voting and Amendments

Voting in respect of the New Revolving Credit Facility, the Senior Secured Notes and/or Future Pari Passu Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and the Issuer and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors;

(b) the Senior Secured Notes Required Holders and the Future Pari Passu Debt Required Holders;

(c) the Future Senior Subordinated Creditors whose aggregate senior subordinated secured credit participations represent more than 50% of the aggregate senior subordinated secured credit participations of all such creditors;

(d) the Security Agent; and

(e) the Issuer,

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class shall be required.

Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) ranking and priority, (ii) turnover of Receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) disposal proceeds, (vi) application of proceeds, (vii) amendments, and (viii) certain provisions relating to the

instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of:

(a) the RCF Lenders;

(b) the Senior Secured Notes Trustee;

(c) the representative of the holders of Future Pari Passu Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would adversely affect such Hedging Bank);

(e) the Future Senior Subordinated Debt Representative; and

(f) the Issuer.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the Pari Passu Creditors holding in aggregate a principal amount of Future Pari Passu Debt which is not less than the principal amount of Future Pari Passu Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Pari Passu Debt, in accordance with the relevant Future Pari Passu Debt Documents;

(c) "**Primary Creditors**" means the Super Senior Creditors, the Senior Secured Notes Creditors, the Future Pari Passu Creditors and the Future Senior Subordinated Creditors;

(d) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(e) "**Transaction Security**" means the security created or expressed to be created under or pursuant to the Transaction Security Documents; and

(f) "**Transaction Security Documents**" means: (i) as defined (or equivalent term) in the New Revolving Credit Facility, any other Credit Facility (as referred to below) and/or a document governing any Future Pari Passu Debt; (ii) any other document entered into at any time by any member of the Holdco Group (or any substitute entity (if any)) creating any security in favour of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible is created in favour of (A) the Security Agent as trustee for the Secured Parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as trustee for the secured parties, the Secured Parties in respect of their Liabilities or (other than for Security governed by Italian law) the Security Agent under a parallel debt structure for the benefit of the Secured Parties.

Prior to the discharge of all the Senior Secured Debt, the Future Senior Subordinated Debt Representative may not without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors enter into or amend or waive the terms of the debt documents of the Future Senior Subordinated Debt to the extent that it would result in them being inconsistent with the agreed major terms for such Future Senior Subordinated Debt.

Option to Purchase

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the New Revolving Credit Facility, the Senior Secured Notes, the Future Pari Passu Debt or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"), the holders of the Senior Secured Notes and Future Pari Passu Debt shall have an option to purchase all (but not part) of the RCF Lenders' (or their affiliates) commitments under the New Revolving Credit Facility and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the New Revolving Credit Facility and Hedging Agreements, with such purchase to occur all at the same time.

Following a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Hedging

All payments permitted under a Hedging Agreement (other than close out payments (or payments when a scheduled payment from the hedging counterparty is due and unpaid)) are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement will contain provisions in relation to the circumstances in which a Hedging Bank may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement will contain provisions dealing with:

(a) close-out rights for the Hedging Liabilities;

(b) permitted payments (including without limitation, the repayment of Shareholder Debt Liabilities and the payment of permitted distributions in each case to the extent permitted under the terms of the finance documents relating to the Senior Secured Debt and the Future Senior Subordinated Debt);

(c) incurrence of Future Pari Passu Debt or Future Senior Subordinated Debt that will allow certain creditors and agents with respect to such Future Pari Passu Debt or Future Senior Subordinated Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement (including, without limitation, note trustee protections and permissions associated with the payment of note trustee amounts) so long as not prohibited under the New Revolving Credit Facility or the Senior Secured Notes Indenture and in compliance with the agreed parameters for such class of debt (if any) and the Future Senior Subordinated Debt shall be subject to the relevant subordination provisions under the Intercreditor Agreement;

(d) the ability to incur additional Credit Facilities benefiting from a similar position under the terms of the Intercreditor Agreement as the New Revolving Credit Facility (to the extent such additional Credit Facilities are allowed under the terms of the finance documents relating to Senior Secured Notes to share in the Transaction Security with the rights and obligations equivalent to that of the New Revolving Credit Facility Lenders and which is permitted by the terms of the finance documents relating to Senior Secured Notes to rank senior to the Senior Secured Notes Liabilities with respect to the proceeds of any Enforcement of the Transaction Security); and

(e) payments received by creditors which(e) payments received by creditors which are not permitted by the Intercreditor Agreement shall be required to be held on trust for the Security Agent and provided to the Security Agent for application in accordance with the Payments Waterfall.

Governing law

The Intercreditor Agreement will be governed by and construed in accordance with English law.

Intercompany Loans

The Issuer, as lender, has granted the following unsecured intercompany loans to the Subsidiaries indicated below (the "**Intercompany Loans**"):

- an interest bearing loan, repayable at any time, granted by the Issuer to Marcolin International B.V., as borrower, pursuant to an intercompany loan agreement dated July 16, 1999 and governed by Italian law. As of September 30, 2016, €6.0 million was outstanding under the Marcolin International B.V. intercompany loan;

- an interest bearing loan, granted by the Issuer to Marcolin Nordic AB, as borrower, pursuant to an intercompany loan agreement dated February 12, 2015 and governed by Italian law. As of September 30, 2016, €0.2 million was outstanding under the Marcolin Nordic AB intercompany loan; and
- an interest bearing proceeds loan, repayable at any time, granted by the Issuer to M-USA (now Marcolin USA), as borrower, pursuant to a proceeds loan agreement dated December 3, 2013, as amended on or about the Issue Date, and governed by Italian law (the "**Existing Proceeds Loan**"). As a result of the merger of M-USA with and into Marcolin USA, Marcolin USA succeeded to all of the rights and obligations of M-USA under the Existing Proceeds Loan. The Existing Proceeds Loan is a senior obligation of Marcolin USA. As of September 30, 2016, $125.0 million (translated into €112.3 million using the exchange rate of $1.1128 per €1.00 as of September 30, 2016) was outstanding under the Marcolin USA intercompany loan.

In addition, each of Marcolin France, Marcolin Iberica SA, Marcolin Germany, Marcolin Asia Limited and Viva Eyewear UK Ltd, each respectively as lender, granted to the Issuer, as borrower, certain interest bearing intercompany loan agreements. Several of them are automatically renewable year by year unless terminated before the relevant termination date.

We expect that these Intercompany Loans will remain outstanding on the Issue Date. The Issuer's receivables under the Intercompany Loans will be pledged to secure the Notes and the New Revolving Credit Facility.

Cash Pooling Arrangements

Certain Subsidiaries of the Issuer have joined, from 2015, a centralized cash pooling system made available by the Issuer and managed by means of specific bank accounts opened with Deutsche Bank pursuant to an agreement entered into by the relevant Subsidiary and the Issuer related to the carrying out of a cash pooling "zero balance" service, and an agreement entered into by the Issuer with Deutsche Bank regarding the management of the relevant bank accounts.

The following Subsidiaries of the Issuer are currently participants in the centralized cash pooling system: Marcolin Asia Limited, Marcolin Benelux S.p.r.l., Marcolin Germany, Marcolin France, Marcolin Iberica SA, Marcolin Portugal L.d.a., Marcolin UK and Marcolin USA.

Bilateral Facilities

The Issuer and certain subsidiaries are parties to various uncommitted bilateral facilities and overdraft lines agreements with local banks pursuant to which certain short term working capital, export finance and general corporate purposes facilities have been obtained to finance our operations and liquidity needs (the "**Short Term Bilateral Facilities**"). The Short Term Bilateral Facilities are unguaranteed and unsecured obligations of the Issuer and the relevant subsidiaries. These unsecured and uncommitted credit facilities generally relate to overdraft protection and trade credit facilities, and we utilize these lines from time to time as part of our cash management. Some of these credit facilities also provide for the ability of the relevant company to request the issuance of letters of credit (*linee di firma*) by the relevant financial institution in connection with our day-to-day operations. In addition, the banks can withdraw their commitments to provide us with the Bilateral Facilities at any time.

In addition, the Issuer is party to a number of other unsecured bilateral facilities agreements with local Italian banks pursuant to which we have obtained certain medium term facilities to finance our operations and liquidity needs (the "**Medium Term Bilateral Facilities**" and together with the Short Term Bilateral Facilities the "**Bilateral Facilities**"). The Medium Term Bilateral Facilities are generally unguaranteed and unsecured obligations of the Issuer, with the exception of the certain medium-long term facilities granted to the Issuer and guaranteed by Sace S.p.A.

As of September 30, 2016, €32.0 million was outstanding under the Bilateral Facilities.

Factoring Operations

The Issuer and certain subsidiaries are parties to several non-recourse (*pro soluto*) and recourse (*pro solvendo*) factoring agreements with factoring counterparties pursuant to which we make sales of trade receivables to such counterparties. The terms and conditions of the factoring agreement, generally, include the following obligations:

to administer the collections on the trade receivables, provide any information regarding the creditworthiness of the relevant debtor (customer), and make interest payments to our factoring counterparties. In return, at the time of sale of the trade receivables, our factoring counterparties pays to us an amount representing the nominal amount of the total trade receivables minus a certain discount.

As of September 30, 2016, the receivables sold under our non-recourse (*pro soluto*) factoring arrangements equaled €18.9 million. This amount is not treated as financial debt on our consolidated statement of financial position. As of September 30, 2016, the liability for receivables sold under our recourse (*pro solvendo*) factoring arrangements equaled €1.1 million. This amount is treated as financial debt on our consolidated statement of financial position.

Capital Leases

The Issuer is party to a number of capital and operating leases with various expiration dates through 2020 related to building and office and warehouse equipment which will remain outstanding following the Refinancing (the "**Capital Leases**"). As of September 30, 2016, €0.9 million was outstanding under the capital leases. We expect that these capital leases will remain outstanding after the Refinancing.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "Description of the Notes" under the heading "Certain Definitions". For purposes of this "Description of the Notes", references to the "Issuer", "we", "our", and "us" refer to Marcolin S.p.A.

The Issuer will issue €250.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2023 (the "Notes") under an indenture to be dated as of February 10, 2017 (the "Indenture"), among, *inter alios*, the Issuer, the Guarantors (as defined below), The Law Debenture Trust Corporation p.l.c., as trustee and legal representative of the holders of the Notes (*mandatario con rappresentanza*) under the Indenture, common representative (*rappresentante comune*) of the holders of the Notes pursuant to articles 2417 and 2418 of the Italian Civil Code and representative (*rappresentante*) pursuant to article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the "Trustee"), UniCredit Bank AG, Milan Branch, as security agent (the "Security Agent"), Elavon Financial Services DAC, UK Branch, as paying agent and transfer agent. The Indenture will not be qualified under, incorporate or include or be subject to any provisions of the U.S. Trust Indenture Act of 1939, as amended.

The proceeds of the offering of the Notes sold on the Issue Date, together with drawings under the Revolving Credit Facility, funds from the Marcolin Capital Increase and certain cash on hand, will be used to discharge certain existing indebtedness of the Issuer, to pay a dividend to shareholders to fund amounts related to the repayment of the Vendor Financing and to pay transaction fees and expenses as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

On the Issue Date, subject to the Agreed Security Principles, each of Marcolin USA, Marcolin Deutschland GmbH, Marcolin France S.A.S., Marcolin UK Limited (the "Guarantors") will guarantee the due and punctual payment of the Notes (the "Guarantees"). The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will be unlimited in aggregate principal amount, of which €250.0 million aggregate principal amount of Notes will be issued in this Offering. We may, subject to applicable law, issue an unlimited principal amount of additional Notes having identical terms and conditions as the Notes (the "Additional Notes"). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under "*—Certain Covenants—Limitation on Indebtedness*"). Except with respect to right of payment and optional redemption, and as otherwise provided for in the Indenture, the Notes issued in this Offering and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, in this "Description of the Notes", references to the "Notes" include the Notes and any Additional Notes that are actually issued.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

This "Description of the Notes" is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of the Indenture are available from us upon request.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

The Notes will, upon issuance:

- be general senior obligations of the Issuer;
- be secured as set forth under "*—Security*", on a *pari passu* basis with the interests granted in favor of the Revolving Credit Facility, except that holders of the Notes will receive proceeds from enforcement of the Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations (if any), have been repaid in full;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including Indebtedness Incurred under the Revolving Credit Facility;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- rank effectively senior to any existing and future indebtedness of the Issuer that is unsecured to the extent of the value of the Collateral;
- be effectively subordinated to any existing or future Indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such Indebtedness;
- be structurally subordinated to any existing or future Indebtedness of the Issuer's Subsidiaries that do not guarantee the Notes, including obligations to trade creditors; and
- be unconditionally guaranteed on a senior basis by the Guarantors, subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Guarantees

Each Guarantee of a Guarantor will, upon issuance:

- be a general obligation of the Guarantor that granted such Guarantee;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Guarantee, including that Guarantor's obligations under the Revolving Credit Facility Agreement and certain Hedging Obligations;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Guarantee;
- be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property or assets that do not secure such Guarantee, to the extent of the value of the property or assets securing such other indebtedness;
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Guarantors; and
- be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Principal and Maturity

The Issuer will issue €250.0 million in aggregate principal amount of Notes on the Issue Date (the "Initial Notes". The Notes will mature on February 15, 2023. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to the sum of (i) three-month EURIBOR (and if that rate is less than zero, EURIBOR shall be deemed to be zero) plus (ii) 4.125%, as determined by the calculation agent (the "*Calculation Agent*"), who shall initially be Elavon Financial Services DAC, UK Branch. Interest on the Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on February 15, May 15, August 15 and November 15, commencing on May 15, 2017;
- be payable to the holder of record of such Notes on the February 1, May 1, August 1 and November 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Notes.

"*Determination Date*" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*" with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Issuer will request (or cause to be requested) that the principal London or Frankfurt office of each of four major banks in the euro-zone inter-bank market, as selected by the Issuer, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request (or cause to be requested) that each of three major banks in London or Frankfurt, as selected by the Issuer, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*euro-zone*" means the region comprised of member states of the European Union that adopt the euro.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include May 14, 2017.

"*Representative Amount*" means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page 248*" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "*Interest Amount*"). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages

resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five onemillionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law, *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to the Notes represented by one or more Global Note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, Additional Amounts if any, on any certificated securities ("Definitive Registered Notes") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*".

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes. The initial Paying Agent will be Elavon Financial Services DAC, UK Branch (the "Principal Paying Agent").

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar will be Elavon Financial Services DAC and the initial Transfer Agent will be Elavon Financial Services DAC, UK Branch. The Registrar and Transfer Agent will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and will make payments on and facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of the change in a Paying Agent, Registrar or Transfer Agent may also be published on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Guarantees

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be guaranteed, jointly and severally on a senior secured basis, by Marcolin USA, Marcolin Deutschland GmbH, Marcolin France S.A.S., Marcolin UK Limited (collectively, the "*Initial Guarantors*"), each of which will be guarantors under the Revolving Credit Facility (each a "Guarantor" and such guarantee, a "Guarantee").

The Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*," "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" and "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

For the twelve months ended September 30, 2016, the Issuer and the Guarantors generated 88.0% of the Group's revenue and 92.3% of the Group's Adjusted EBITDA, respectively, and, as of September 30, 2016, held 94.5% of the Group's assets. As of September 30, 2016, after giving effect to the Transactions, the Group would have had €246.3 million of net financial debt (€15.1 million of which was represented by financial debt other than the Notes and €2.0 million of which was represented by secured financial debt other than the Notes and the Revolving Credit Facility), and we have €30.0 million available for drawing under the Revolving Credit Facility.

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary that guarantees the Revolving Credit Facility in the future or certain other Indebtedness permitted under the Indenture shall enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Notes and the Revolving Credit Facility. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, retention of title claims and similar principles.

Each Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.*" and "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Local insolvency laws may not be as favorable to you as U.S. bankruptcy laws*."

A portion of the operations of the Issuer will be conducted through its Restricted Subsidiaries that will not be Guarantors. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any). As at and for the twelve months ended September 30, 2016, the consolidated total assets prior to capital consolidation, consolidated revenues and consolidated, Adjusted EBITDA of the non-Guarantor Restricted Subsidiaries represented 12.0%, 7.4% and 5.4% of the Group's revenue, Adjusted EBITDA and assets prior to capital consolidation of the Group, respectively, and, after giving *pro forma* effect to the Transactions, the non-Guarantor Subsidiaries of the Issuer would have had €0.8 million of Indebtedness. Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Releases of Guarantees

The Guarantee of any Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

- in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- as described in the first paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*";
- as a result of a transaction permitted by "*—Merger and Consolidation—The Guarantors*"; or
- upon the solvent liquidation or winding up of a Guarantor.

Upon the request of the Issuer and at the cost of the Issuer, the Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by Trustee without the consent of the Holders or any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes"). The Regulation S Global Note will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "144A Book-Entry Interests") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the Issue Date of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to US persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a

Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the Holder of a Note as the owner of it for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*", the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Security

General

Within 10 business days following the Issue Date, the Notes will be secured, subject to certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis over the following property, rights and assets:

- pledge over the issued Capital Stock of the Issuer owned by Marmolada S.p.A., which will constitute: (i) 100% of such Capital Stock on the Issue Date and (ii) no less than (a) 90% of such Capital Stock following the Marcolin Capital Increase or (b) in the event of the exercise of the LVMH Call Option, no less than 82.5% of such Capital Stock (the "Issuer Share Pledge");
- pledges over all issued Capital Stock of Marcolin USA, Marcolin Deutschland GmbH, Marcolin France S.A.S. and Marcolin UK Limited;
- a pledge and security agreement over all of the material assets of Marcolin USA; and
- a security assignment over the Intra-Group Loans.

The Collateral will also secure on a first-ranking basis the Revolving Credit Facility. In addition, the Revolving Credit Facility will also be secured by a special lien (*privilegio speciale*) granted by the Issuer over its movable assets. Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Liens*", the Issuer will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness of the Issuer or Indebtedness of the Restricted Subsidiaries, including any Additional Notes issued by the Issuer, in each case, as permitted under the Indenture and the Intercreditor Agreement. See "*Risk factors—Risks related to the Notes and the capital structure*".

Any other security interests that may in the future be granted to secure obligations under the Notes, any Guarantees and the Indenture would also constitute "Collateral". All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

Notwithstanding the foregoing and the provisions of the covenant described below under "*—Certain Covenants—limitation on issuances of guarantees of indebtedness*", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles. Pursuant to the Agreed Security Principles, a guarantee or security may not be given, or may be limited, due to, among other things: general legal and statutory limitations, regulatory requirements or restrictions, financial assistance, corporate benefit, fraudulent preference, "earnings stripping", "controlled foreign corporation" and "thin capitalization" rules, tax restrictions, retention of title claims, capital maintenance rules and similar principles; the applicable cost, which shall not be disproportionate to the benefit to the lenders of obtaining such guarantee or security; stamp duty, notarization, registration or other applicable fees, taxes and duties where the benefit to the lenders of increasing the guaranteed or secured amount is disproportionate to the level of such fee, taxes and duties; where there is material incremental cost involved in creating security over all assets owned in a particular category; where giving a guarantee or security would be either impossible or impractical or would unduly disrupt the business of the relevant person concerned to create security over certain categories of assets; where assets are subject to contracts, leases, licenses, or other third party arrangements which may prevent those assets from being charged; or where it is not within the legal capacity of the relevant person or would conflict with fiduciary duties or contravene legal prohibitions or regulatory conditions or would result in (or in a risk of) personal or criminal liability on the part of any officer.

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain future Hedging Obligations and any Additional Notes and may also secure certain future indebtedness; *provided*, *however*, that the lenders under the Revolving Credit Facility and counterparties to certain future Hedging Obligations will receive the proceeds from the enforcement of the Collateral in priority to the holders of the Notes and any Additional Notes. See "*—Priority*" below. See also, "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—Creditors under the Revolving Credit Facility, certain hedging obligations and certain debt that we incur in the future may be entitled to be repaid with the proceeds of the Collateral securing the Notes in priority to the Notes*". The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes.

No appraisals of the Collateral have been made in connection with this Offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes*".

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "Security Interests" and each a "Security Interest") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain future Hedging Obligations (if any), and (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture, respectively, is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents and the security documents relating to the Revolving Credit Facility, and such Hedging Obligations (if any), which provide, among other things, that the obligations under the Notes will receive proceeds on enforcement of security over the Collateral only after the claims of the Revolving Credit Facility Agreement and such future Hedging Obligations and any future Indebtedness permitted to be secured on a super priority basis in accordance with the terms of the Indenture and the Intercreditor Agreement are satisfied.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*". In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged or assigned to secure other Indebtedness. See "*—Release of Liens*", "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*".

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer's payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent (also as beneficiary of the parallel debt under the Intercreditor Agreement), and the Trustee acting for itself and in its capacity as the Trustee under the Indenture, as Security Representative and additionally as common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee (including in its role as Security Representative) and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee (including in its role as Security Representative) under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain hedging agreements in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the relevant Collateral until all obligations under the Notes and the Indenture have been discharged. However, please see the section of this Offering Memorandum entitled "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*". The validity and enforceability of the Security Interests will be subject to, *inter alia*, the limitations described in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*." The Security Documents will provide that the rights under the Security Documents and the Indenture must be exercised by the Security Agent. The Holders may only act through the Trustee (including in its role as Security Representative), who will instruct the Security Agent in accordance with the terms of the Indenture.

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral*."

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under "*Description of Certain Financing Arrangements Intercreditor Agreement*" and "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations*." The ability to enforce may also be restricted by similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee (including in its role as Security Representative) have, and by accepting a Note, each Holder will be deemed to have, appointed, also for the purposes of Article 1704 (*Mandato con rappresentanza*) the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the

Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;

(2) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;

(3) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as common representative (*rappresentante comune*) of the Holders pursuant to articles 2417 and 2418 of the Italian Civil Code;

(4) agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as representative (*rappresentante*) of the Holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code;

(5) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement; and

(6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

Please see the sections entitled "*Risk factors—Risks related to the Notes, the Guarantees and the Collateral—Holders of the Notes may not control certain decisions regarding the Collateral" and "Description of Certain Financing Arrangements—Intercreditor Agreement"*.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under "*—Certain Covenants—Additional Intercreditor Agreements*".

Release of Liens

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) in connection with any sale or other disposition of Collateral to (a) any Person other than the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture or (b) any Restricted Subsidiary; *provided* that this clause 1(b) shall not be relied upon in the case of a transfer of capital stock or of accounts receivable to a Restricted Subsidiary unless the relevant property and assets remain subject to, or otherwise become subject to a Lien in favor of the Notes following such sale or disposal;

(2) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or defeasance or discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) as otherwise permitted in accordance with the Indenture or the Intercreditor Agreement;

(7) in the case of a merger, consolidation or other transfer of assets in compliance with the covenant described below under "*Merger and Consolidation*." In addition, the Security Interests created by the Security Documents will be released (a) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(8) (i) in connection with an Initial Public Offering of the Issuer, the release, at the option of the Issuer, of all or part of the Issuer Share Pledge within a reasonable time prior thereto to facilitate such Initial Public Offering and (ii) following an Initial Public Offering of the Issuer, the release of any Security Interests over all or part of the Capital Stock of the Issuer that is subject to Security Interests in connection with issuances and/or sales of such Capital Stock within a reasonable time prior thereto to facilitate such issuance or sale; *provided* that, in each case, such Security Interests so released shall, as soon as reasonably practicable, be granted in favor of the Notes in the event that the Initial Public Offering or other sale or issuance, as the case may be, does not complete for any reason; or

(9) in the case of the security assignment over the receivables in respect of the Intra-Group Loans, upon partial repayment thereof, the Security Interests created over the receivables will be automatically reduced in proportion to such partial repayment and, upon full repayment thereof, the security assignment shall be automatically and fully released and of no further effect.

At the request of the Issuer and at the cost of the Issuer, the Security Agent and the Trustee (if required) will take all necessary action required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*", the Notes are not redeemable until February 15, 2018. On and after February 15, 2018 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the period beginning on February 15 of the year indicated below:

Year	Redemption Price
2018 and thereafter	100%

In addition, prior to February 15, 2018 the Issuer may redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "*—Selection and Notice*" below.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On February 15, 2023, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Principal Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a *pro rata* basis by use of a pool factor; *provided, however*, that no Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. Neither the Trustee, the Principal Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, shall mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. While in global form, notices to Holders may be delivered via Euroclear and Clearstream in lieu of notice via registered mail. Such notice of redemption may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange are complied with..

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of Holders of record on the relevant record date

to receive interest due on the relevant interest payment date that is prior to the Tax Redemption Date) and all Additional Amounts (as defined below under "Withholding Taxes"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in, an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes or any Guarantee (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be announced and become effective (or, in the case of an amount or change described in clause (2) above, become effective or be promulgated, as applicable) on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendments occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*Selection and Notice*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer or a successor Person, where applicable, will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the relevant Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor or a successor of any of them (each, a "Payor") in respect of the Notes or with respect to any Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of a Payor (including the jurisdiction of the Paying Agent), or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "Relevant Taxing Jurisdiction"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments, after such withholding, or

deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Guarantee in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, present or deemed present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Guarantee;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor or any other person through whom payment can be made addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable to the Relevant Taxing Jurisdiction), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax but, only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed as a result of the presentation of the Note for payment (where presentation is permitted or required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or with respect to any Guarantee;

(5) any estate, inheritance, gift, value added, sales, excise, use, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes imposed in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(7) any Taxes imposed, withheld or deducted pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such sections that is substantially comparable), any current or future regulations or agreements thereunder, official interpretations thereof, any intergovernmental agreement entered into in connection therewith, or any law or regulation (or any official interpretation thereof) implementing an intergovernmental approach thereto;

(8) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time ("Decree No. 239") or pursuant to Italian Legislative Decree No. 461 of November 21, 1997) and any related implementing regulations; *provided* that:

    (i) Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or their agents; and

    (ii) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the "White List") and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree 239 or any change in the White List; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is not the beneficial owner of the Notes, to the extent that the beneficial owner would not have been entitled to Additional Amounts by reason of any of clauses (1) to (9) inclusive above had such beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not reasonably available, other reasonable evidence of such payments as soon as reasonably practicable to the Trustee and copied to the Paying Agent. Such copies or other evidence shall be made available to the Holders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each such certified copy or other evidence of such payments a certificate stating that the amount of withholding Taxes evidenced by the certified copy or other evidence was paid in connection with payments in respect of the principal amount of Notes then outstanding.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agents shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "Description of the Notes" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a redemption of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of any Notes, any Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, (A) in connection with a transfer of the Notes after this Offering or (B) to the extent that such stamp, issue registration court or documentary taxes, or any other excise, property or similar taxes or similar charges or levies becomes payable upon a voluntary registration made by the Holder if such registration is not required by any applicable law or not necessary to enforce the rights or obligations of any Holder in relation to the Notes, any Guarantees, the Indenture, or any other document or instrument in relation thereto) or the receipt of any payments with respect thereto (limited, solely in the case of the receipt of any payments with respect thereto, to taxes not excluded under clauses (1) through (3) or (5) through (8) above or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes or any Guarantee is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "Change of Control", each Holder will have the right to require the Issuer to repurchase all or any part of such Holder's

Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additonal Amounts, if any to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase the Notes as described under this heading, "Change of Control", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");

(2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "Change of Control Payment Date");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the Principal Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Principal Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks related to the Notes, the Guarantees and the Collateral—Future liquidity and cash flow difficulties could prevent us from repaying the Notes when due or repurchasing the Notes when we are required to do so pursuant to certain events constituting a change of control or otherwise, and the change of control provisions in the Indenture may not necessarily afford you protection in the event of certain important corporate events*" to finance a change of control offer and certain events that might otherwise constitute a change of control may not trigger a requirement for us to repurchase the Notes if at the time our consolidated leverage ratio is less than certain specified levels".

The definition of "Change of Control" includes a disposition in one or a series of related transactions, of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person the Issuer and its Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for

the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.75 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("Permitted Debt"):

(1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of €40.0 million and 80% of Consolidated EBITDA, *plus* in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or

(b) without limiting the covenant described under "*—Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

(a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not a Guarantor (except in respect of intercompany current liabilities Incurred in the ordinary course of business in connection with cash management positions of the Issuer and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, and the respective Guarantee, in the case of a Guarantor to the extent required by the Intercreditor Agreement; and;

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary; and

(c) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) outstanding on the Issue Date, the related Guarantees, and any related "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness of the Issuer and its Restricted Subsidiaries Incurred under the Revolving Credit Facility and Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however,* with respect to this clause (5), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio in the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €10.0 million and 20% of Consolidated EBITDA; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 270 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, Taxes, Tax Sharing Agreements or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, provided, however, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in the case of a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of €25.0 million and 50% of Consolidated EBITDA;

(12) Recourse Factoring or Securitization in an amount not to exceed €10.0 million outstanding at any time;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Marcolin Capital Increase or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, the Marcolin Capital Increase or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or a Guarantor Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon;

(14) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business; and

(15) Indebtedness in connection with Investments in Associates not exceeding, at any time outstanding, €20.0 million.

Notwithstanding the foregoing, the aggregate principal amount of outstanding Indebtedness (excluding any interest paid in kind) Incurred by Restricted Subsidiaries that are not Guarantors pursuant to the first paragraph of this covenant and clause (11) of the second paragraph of this covenant and, without double counting, all Refinancing Indebtedness in respect thereof Incurred by Restricted Subsidiaries that are not Guarantors shall not exceed an amount equal to the greater of €20.0 million and 40% of Consolidated EBITDA at the time of the Incurrence of any such Indebtedness; *provided* that Refinancing Indebtedness Incurred in respect of such Indebtedness originally permitted by this paragraph shall always be permitted hereunder.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(8) for the purposes of determining "Consolidated EBITDA" (i) *pro forma* effect shall be given to Consolidated EBITDA on the same basis for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries and (ii) in relation to clause (1) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "—Limitation on Indebtedness". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "—Limitation on Indebtedness", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Guarantee, if any, on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in Subordinated Shareholder Funding; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest as additional Subordinated Shareholder Funding) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (11), (14) and (15) of the third succeeding paragraph, but excluding all other Restricted Payments permitted by the third succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) the Marcolin Capital Increase, (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an

employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (v) the Marcolin Capital Increase, (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the third succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions; and

(iv) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in the foregoing clause (iv), (v) or (vi).

Notwithstanding the foregoing, (A) any amounts (such amounts, the "Excluded Amounts") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) or (iii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose and effect of the receipt of such Net Cash Proceeds or property or assets or marketable securities was to repay indebtedness to reduce the Consolidated Net Leverage Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Indenture and (B) upon the occurrence of a Specified Change of Control Event, all amounts pursuant to the preceding clause (c) shall be reset to zero and references to the Issue Date shall thereafter be the date of such Specified Change of Control Event.

The fair market value of property or assets other than cash covered by the preceding two sentences shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds the greater of €10.0 million and 20% of Consolidated EBITDA, by the Board of Directors.

The foregoing provisions will not prohibit any of the following (collectively, "Permitted Payments"):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or the Marcolin Capital Increase or through an Excluded Contribution or Excluded Amounts or Parent Debt Contribution) of the Issuer; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

    (a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

    (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

    (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent or of the M/L JV, in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or

advances) equal to (a) €2.0 million, plus €1.0 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (b) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares or the Marcolin Capital Increase) or Parent Debt Contribution or Excluded Amounts) of the Issuer from, the issuance or sale to Management Investors of Capital Stock, to the extent such Net Cash Proceeds have not otherwise been designated as Excluded Contributions and are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

  (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

  (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Excluded Amounts, the Marcolin Capital Increase or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) 7% of the Market Capitalization and (ii) 7% of the IPO Market Capitalization;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €15.0 million and 30% of Consolidated EBITDA;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);

(14) so long as no Default or Event of Default has occurred and is continuing (or would result from), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 3.75 to 1.0 on a pro forma basis after giving effect to any such Restricted Payment;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all

dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or the Marcolin Capital Increase or Excluded Amounts or a Parent Debt Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, from such sale of Designated Preference Shares or such contribution will be excluded from clause (c)(ii) and (c)(iii) of the preceding paragraph;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) dividends, loans, advances, payments or other distributions in amounts required for a direct or indirect parent of the Issuer to pay interest on Indebtedness the net cash proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been Guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; and

(18) the making of one or more payments or other distributions to shareholders of the Issuer on or subsequent to the Issue Date as described under "*Use of Proceeds*" in the Offering Memorandum.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For the purposes of calculating "Consolidated EBITDA" pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee of the Notes in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under "*—Security—Release of Liens*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits;

(B) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary, *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of

(including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) and (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) or where the Issuer determines that such encumbrance or restriction will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) constituting an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Recourse Factoring or Securitization that, in the good faith determination of the Board of Directors or a member of Senior Management of the Issuer, are necessary or advisable to effect such Recourse Factoring or Securitization; or (13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer's Board of Directors); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

(i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);

(ii) Cash Equivalents;

(iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer's or such Restricted Subsidiary's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;

(iv) Replacement Assets;

(v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

(vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(vii) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €10.0 million and 20% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 360 days (or 540 days in the circumstances described in clause (8) below) of the later of

(i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Public Debt (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 360 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "Excess Proceeds". Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 361st day (or the 541st day if a binding commitment as described in clause (8) is entered into) after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds €15.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("Asset Disposition Offer") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use

any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be repaid or purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be repaid or purchased by it pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "Affiliate Transaction") involving aggregate value in excess of €5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the

majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €25.0 million, the Issuer has received a written opinion (a "Fairness Opinion") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction) or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement, understanding or instrument in effect as of or on the Issue Date, including but not limited to the M/L JV agreement and associated arrangements or transactions that are entered into pursuant thereto or described in "*Related Party Transactions*" in the Offering Memorandum (*provided* that, in the case of arrangements or transactions associated with the M/L JV, such arrangements and transactions shall comply with clause (1) of the first paragraph of this covenant), as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an

Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €0.3 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) investments by any of the Initial Investors in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Initial Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favorable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities; and

(14) any participation in a public tender or exchange offers for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2016, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition, consolidated EBITDA and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include provision of a full income statement or balance sheet to the extent not reasonably available, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; *provided, further* that if such *pro forma* financial information is not reasonably available, the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the business, management and shareholders of the Issuer, all material affiliate transactions; and a description of all material debt instruments; and (v) a description of material operational risk factors and material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended March 31, 2017, quarterly financial statements containing the

following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market thereof and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, by posting such reports on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.

Notwithstanding the foregoing, the Issuer may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and quarterly reports of any Parent. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Parent that is the reporting entity, the annual and quarterly reports shall include an explanation and an unaudited reconciliation of such material differences.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a (i) reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries, together with an unaudited reconciliation to the financial information of the Issuer and its subsidiaries, which reconciliation shall include the following items: revenues, consolidated EBITDA, net income, cash, total assets, total debt, shareholder equity, capital expenditures and interest expense.

For the purposes of this covenant, IFRS shall be deemed to be IFRS as in effect from time to time, without giving effect to the proviso in the definition thereof.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Issuer") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio contained in the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "—*Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "Merger and Consolidation" covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Issuer has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

The Guarantors

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

(A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting , surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Notes Indenture, *provided however*, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B) (1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this "Merger and Consolidation" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "—Issuer" shall apply to such transaction and (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided, however*, that clauses (1), (2) and (4) under the heading "—The Issuer" or clauses (3)(A) and (3)(B) under the heading "—The Guarantors", as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and

continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Additional Guarantees*";

(6) "*—Limitation on Sales of Assets and Subsidiary Stock*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation*",

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "Limitation on Restricted Payments" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*". In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interests with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released and retaken, if applicable, in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement and (ii) the applicable Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided*, *however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement, the Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee and the Security Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee and the Security Agent from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting

such Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee and the Security Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary will provide a Guarantee, which Guarantee will be senior to or pari passu with such Restricted Subsidiary's guarantee of such other Indebtedness; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or could give rise to or result in:

(1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction;

(2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or

(3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Future Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of the Guarantees*". A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Related to the Notes, the Guarantees and the Collateral—The Guarantees may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability, and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.*".

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any Indebtedness permitted pursuant to the the covenant described under "*—Limitation on Indebtedness*", the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "Additional Intercreditor Agreement") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially

less favorable to the Holders), including containing substantially the same terms with respect to release of Guarantees and priority and release of the Security Interest; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*Amendments and Waivers*" or as permitted by the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the listing agent.

Financial Calculations for Limited Condition Acquisitions.

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided further* that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds thereof) shall be deemed to have occurred on the date the

definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("payment default"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision"),

    and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20.0 million or more or (ii) to the extent any such Indebtedness is Incurred pursuant to clause (1) or (6) of the second paragraph of the "*—Limitation on Indebtedness*" covenant and secured by Collateral that is granted the benefit of super senior priority rights on the proceeds of enforcement of Collateral under the Intercreditor Agreement, upon any instruction by an instructing group to commence enforcement of the Collateral in accordance with the terms thereof;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "judgment default provision");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture and except through the gross negligence or willful misconduct of the Trustee or Security Agent) with respect to Collateral having a fair market value in excess of €20.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and

(8) any Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Guarantee and any such Default continues for 10 days.

However, a default under clauses (3), (4) or (6) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4) and (6) the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the

Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "—Reports" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of prefunding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 75% of the then outstanding principal amount of the Notes affected, then outstanding, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer or the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or "*Certain Covenants—Additional Guarantees*", to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility, in any property which is required by the Security Documents or the Revolving Credit Facility (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of security interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Meeting of Holders of Notes

All meetings of Holders of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition to and without prejudice to the provisions described above under the caption "*—Amendments and Waivers*", in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (i) by the Board of Directors of the Issuer, (ii) by the Noteholders' Representative (as defined below) or (iii) upon request by holders of at least 5.0% of the aggregate principal amount of the outstanding Notes.

In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of Notes will be (i) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the outstanding Notes, and (ii) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the outstanding Notes; *provided, however,* that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent holders of not less than one-half of the aggregate principal amount of the outstanding Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*", and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See "*Risk Factors—Risks related to the Notes and the capital structure—The Issuer may amend the economic terms and conditions of the Notes without the prior consent of all noteholders with the vote of either 75% or 50% of the outstanding Notes*". Any resolution duly passed at any such meeting shall be binding on all the holders of the Notes, whether or not such holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this "*—Meeting of Holders of Notes*" will be in addition to, and not in substitution of, the provisions described under the caption "*—Amendments and Waivers*". As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this "*—Meeting of Holders of Notes*" must also comply with the other provisions described under "*—Amendments and Waivers*".

Security Representative and Noteholders' Representative

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of The Law Debenture Trust Corporation p.l.c., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the "Security Representative") in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of The Law Debenture Trust Corporation p.l.c. as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the "Noteholders' Representative") may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders' Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders' Representative remains appointed for a maximum period of three years but may be subsequently reappointed thereafter.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and the Guarantors under the Notes and the Indenture ("legal defeasance") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) of "*—Certain covenants—Merger and consolidation*") and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("covenant defeasance").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "—*Certain Covenants—Merger and Consolidation*"), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that holders of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred

(and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Principal Paying Agent for cancellation; or (b) all Notes not previously delivered to the Principal Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Principal Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Principal Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee to apply the funds deposited towards the payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "Satisfaction and Discharge" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

The Law Debenture Trust Corporation p.l.c. is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is aware, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) fails to meet certain eligibility requirements or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, taxes and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may also be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*) in lieu of publication in the *Luxemburger Wort* so long as the rules of the Luxembourg Stock Exchange allow.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. For so long as any Notes are represented by Global Notes, notices to Holders of the Notes may be delivered via Euroclear and Clearstream in lieu of notice via registered mail.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Guarantees, if any, including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors, if any, will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors, if any, will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market thereof. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since a significant portion the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint Marcolin U.S.A., Inc. as their agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means, with respect to any Note the greater of: (a) 1% of the principal amount of such Note; and (b) on any redemption date, the excess (to the extent positive) of: (A) the present value at such redemption date of (1) the redemption price of such Note at February 15, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under the heading "*Optional Redemption*"), plus (2) all required interest payments due on such Note to and including February 15, 2018 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points and assuming that the rate of interest on the Note for the period from the redemption date through February 15, 2018 will equal the rate of interest on the Notes in effect on the date on which the applicable notice of redemption is given; over (B) the outstanding principal amount of such Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation Agent, or any Paying Agent or Registrar.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of less than the greater of €7.5 million and 15% of Consolidated EBITDA;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale, discount or factoring (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable or related assets arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Recourse Factoring or Securitization, any other factoring transaction or in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale of by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under "*—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "—Limitation on Sales of Assets and Subsidiary Stock" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). The obligations of the "Board of Directors of the Issuer" under the Indenture may be exercised by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of the Issuer.

"*Bund Rate*" means, as of any computation date, the rate per annum equal to the yield to maturity at such redemption date of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to February 15, 2018; *provided, however,* that if the period from the redemption date to February 15, 2018 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to February 15, 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy or London, United Kingdom are authorized or required by law to close and, with respect to payments to be made under the Indenture, other than any day which is not a TARGET Settlement Day.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof (a "*Deposit*") or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to the Revolving Credit Facility or by any bank or trust company (a) if at any time since January 1, 2010 the Issuer or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b)whose commercial paper is rated at least "A-3" or the equivalent thereof by S&P or at least "P-3" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (c) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-3" or the equivalent thereof by S&P or "P-3" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, a Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in

each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (7) of this definition; and

(9) for purposes of clause (2) of the definition of "Asset Disposition", the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any "person" or "group of related persons" is the "beneficial owner" (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, *soci´et´e anonyme,* as currently in effect or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense or provisions for bad debt;

(4) consolidated amortization or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Indenture or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period).

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and

(11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Recourse Factoring or Securitization or other factoring or receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period.

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period; and

(7) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS, and (v) any commissions, discounts, yield and other fees and charges related to factoring, receivables or securitization financings that do not constitute Recourse Factoring or Securitization. Consolidated Interest Expense shall not include any interest expenses relating to Subordinated Shareholder Funding.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants Limitation on Restricted Payments*", any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or

rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of, merger or consolidation with, another Person or business or resulting from any reorganization or restructuring or Incurrence of Indebtedness involving the Issuer or its Restricted Subsidiaries;

(12) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "Calculation Date"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that (other than in connection with making any Restricted Payment pursuant to clause (14) of the fourth paragraph of the covenant described under "*Certain Covenants—Limitation on Restricted Payments*") the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Limitation on Indebtedness*".

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "Purchase") that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had

occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including reasonably anticipated synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated expense and cost reduction synergies resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer’s functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be determined in accordance with IFRS; and

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, provided that such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any cost savings, reductions or synergies already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above.

“*Consolidated Senior Secured Net Leverage*” means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

“*Consolidated Senior Secured Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*".

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants Limitation on Restricted Payments*".

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to

repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption "*—Certain Covenants—Restricted Payments*". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer or a Restricted Subsidiary (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions and other than offerings to the Issuer or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities by any Person (other than to the Issuer or a Restricted Subsidiary), the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or the Marcolin Capital Increase or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Board of Directors or a member of Senior Management of the Issuer) on the date of such determination.

"*Euroclear*" means Euroclear Bank SA/NV or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*European Union*" means all members of the European Union as of January 1, 2004. For the avoidance of doubt, all references to a "member" of the European Union shall include the United Kingdom.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares or the Marcolin Capital Increase or an Excluded Amount) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor

Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) of the second paragraph of the covenant under "*—Certain Covenants—Limitation on Indebtedness*") the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments (each, a "Purchase") that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reductions and synergies, as if they had occurred on the first day of the four-quarter reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect to such Purchase (including reasonably anticipated synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);

(7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS; and

(8) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by a responsible accounting or financial Officer) projected to result from actions taken by the Issuer or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions, provided such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings, reductions or synergies already included for the period.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided*, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any Restricted Subsidiary that Guarantees the Notes from time to time.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations contained in the Indenture shall be computed in accordance with IFRS; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election. Notwithstanding the foregoing, for purposes of any calculations pursuant to the Indenture, IFRS shall be deemed to treat operating leases in a manner consistent with the treatment thereof under IFRS as in effect on the Issue Date, notwithstanding any modifications or interpretative changes thereto that may occur after the Issue Date.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred

by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time); and

(10) representing any Recourse Factoring or Securitization.

The term "Indebtedness" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business or (v) any asset retirement obligations.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such

business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;

(4) payments or other transactions or obligations pursuant to any Tax Sharing Agreement; *provided*, however, that such payments, and the value of such transactions or obligations, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe, without taking into account such Tax Sharing Agreement; or

(5) obligations under or in respect of factoring receivables or securitization financings that do not constitute Recourse Factoring or Securitization.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided*, *however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means any funds or limited partnerships managed or advised by PAI or any of its respective Affiliates or direct or indirect Subsidiaries or any trust, fund, company or partnership owned, managed or advised by them or any of its respective Affiliates or direct or indirect Subsidiaries or any entity controlled by all or substantially all of the managing directors of such fund or PAI from time to time.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Issuer, UniCredit Bank AG, Milan Branch, as agent and the Security Agent and The Law Debenture Trust Corporation p.l.c as the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Intra-Group Loans*" means (i) the loan originally made by the Issuer to Marcolin USA to finance part of the acquisition of Viva Optique, Inc., as amended on or about the Issue Date, (ii) the loan granted by the Issuer to Marcolin International B.V., as borrower, pursuant to an intercompany loan agreement dated July 16, 1999 and (iii) the loan granted by the Issuer to Marcolin Nordic AB, as borrower, pursuant to an intercompany loan agreement dated February 12, 2015.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB-" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Entity*" has the meaning given to it in the definition of Initial Public Offering.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means February 10, 2017.

"*Issuer*" means Marcolin S.p.A. and any of its successors or assigns.

"*Italian Civil Code*" means the Italian civil code, enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries the consummation of which is not

conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated EBITDA, other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition and the related transactions, shall not include any Consolidated EBITDA of or attributable to the target company or assets involved in any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*LVMH*" refers to LVMH Moët Hennessy Louis Vuitton SE, a European public company (*societas Europaea*) organized under the laws of the European Union;

"*LVMH Call Option*" refers to an option granted to LVMH to purchase shares of the Issuer pursuant to the PAI/LVMH Shareholders' Agreement.

"*M/L JV*" has the meaning provided in the section entitled "*Certain Definitions*" of the Offering Memorandum.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding €1.0 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) other members of the management team of the Issuer or its Subsidiaries or Associates who subsequently invest directly or indirectly in the Issuer from time to time and (ii) any entity that may hold shares transferred by departing members of the management team of the Issuer or its Subsidiaries or Associates for future redistribution to the management team of the Issuer or its Subsidiaries or Associates.

"*Marcolin Capital Increase*" has the meaning provided in the section entitled "*Certain Definitions*" of the Offering Memorandum.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds",* with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

"*PAI*" means PAI partners S.A.S.

"*PAI/LVMH Shareholders' Agreement*" has the meaning provided in the section entitled "*Summary—Recent Developments—Joint Venture with LVMH*" of the Offering Memorandum.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or any Restricted Subsidiary or Subordinated Shareholder Funding or otherwise on lent as a proceeds loan to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends, loans, advances, payments or other distributions may be paid pursuant to clause (17) of the fourth paragraph under "*—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, and (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €1.0 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were the Issuer and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and such Subsidiaries; and

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness:

    (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;

    (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permissible Jurisdiction*" means any member state of the European Union (excluding Greece).

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (8), (9), (11), (12), (18), (20) and (23) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interest in the Collateral;

(b) to secure:

    (i) the Initial Notes and related Guarantees;

    (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

    (iii) Indebtedness described under clause (1) of "*—Permitted Debt*", which Indebtedness may have super seniority priority status in respect of the proceeds from the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

    (iv) Indebtedness described under clause (2) of "*—Permitted Debt*" and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(v) Indebtedness described under clause (5)(ii) of "*—Permitted Debt*" Incurred by the Issuer or a Guarantor, *provided that*, at the time of the acquisition or other transaction pursuant to which such Indebtedness is Incurred and after giving *pro forma* effect to the Incurrence of such Indebtedness and the application of the proceeds thereof, (a) the Issuer would have been able to Incur €1.00 of Senior Secured Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Net Leverage Ratio would have been no greater than it was prior to giving pro forma effect to such acquisition or transaction, the Incurrence of such Indebtedness and the application of the proceeds thereof;

(vi) Indebtedness described under clause (6) of "*—Permitted Debt*" and such Indebtedness, in respect of Currency Agreements and Interest Rate Agreements only, may have super senior priority status in respect of the proceeds from the enforcement of the Collateral not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement;

(vii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations) and provided that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property), (11) or (13) of "*—Permitted Debt*";

(viii) Indebtedness on a junior basis to the Notes; and

(ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii); and

(c) Incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries with respect to obligations that in total do not exceed €5.0 million at any one time outstanding and that (i) are not Incurred in connection with the borrowing of money or business) and (ii) do not in the aggregate materially detract from the value of the property or materially impair the use thereof or the operation of the Issuer's or such Restricted Subsidiary's business.

provided, that each of the secured parties to any such Indebtedness set forth in (b) or (c) (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided,* further that subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Notes and related Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (b)(iii) and (b)(vi) above.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clause (1) or (2), (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (4) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments made in connection with any Recourse Factoring or Securitization and any related Indebtedness;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances and any advances or loans not to exceed €1.0 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock (other than Disqualified Stock) of the Issuer or a Parent of the Issuer;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date (other than Investments in the M/L JV, which shall be deemed to be made initially under clause (16) of the definition of "Permitted Investments" and not this clause) and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (ii) as otherwise permitted under the Indenture;

(10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €15.0 million and 30% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in Associates in an aggregate amount when taken together with all other Investments made pursuant to this clause (16) that are at any time outstanding not to exceed €45.0 million; provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Indenture, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(17) Investments in loans under the Revolving Credit Facility, the Notes and any Additional Notes; and

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"*Permitted Liens*" means, with respect to any Person:

(1) (a) Liens on assets or property pursuant to a "*privilegio speciale*" (or similar successor principles under Italian law providing for floating charges over moveable assets) securing Indebtedness under Credit Facilities and (b) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmens' and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition,

improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date after giving *pro forma* effect to the use of the proceeds of the Notes as described in the Offering Memorandum);

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, *however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens Incurred in connection with a Recourse Factoring or Securitization permitted under clause (12) of the second paragraph under the covenant described under "*—Certain Covenants Limitation on Indebtedness*";

(22) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom the Issuer or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement or other trading activities);

(23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(25) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(26) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the senior security documents entered into pursuant to the Revolving Credit Facility, and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;

(27) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (27) does not exceed the greater of €15.0 million and 30% of Consolidated EBITDA;

(28) Liens over bank accounts of the Issuer or any of its Restricted Subsidiaries into which payments on trade receivables which have been previously sold, assigned or transferred by the Issuer or any of its Restricted Subsidiaries on a non-recourse (pro soluto) basis and are also being serviced by the Issuer or any Restricted Subsidiary are made until such amounts are transferred to the factor or its assigns;

(29) (a) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; and (b) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund "*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose; and (30) Liens Incurred in connection with a cash management program established in the ordinary course of business; and

(30) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering

pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any Recourse Factoring or Securitization.

"*Recourse Factoring or Securitization*" means any transaction or series of transactions involving the sale, assignment, discount of receivables of the Issuer or any of its Restricted Subsidiaries to, or other equivalent or similar form of receivables financing with, banks or other financial institutions or special purpose entities formed to borrow from such institutions against such receivables, including on a *pro solvendo* basis, for which the Issuer or any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise (including, without limitation, with respect to guarantees on existence of title or otherwise); provided that, for the avoidance of doubt, any non-recourse "*pro soluto*" factoring or receivables financings to the extent meeting the requirements to be fully derecognized from the financial statements of the Issuer or any of its Restricted Subsidiaries pursuant to IFRS shall in no event be deemed to constitute a Recourse Factoring or Securitization under the Indenture.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances", "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary, but not Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

(a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries);

(b) issuing or holding Subordinated Shareholder Funding;

(c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

(d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*".

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any member of Senior Management of the Issuer are reasonably related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the Revolving Credit Facility established pursuant to the super senior revolving facility agreement to be dated on or prior to the Issue Date, among, *inter alios*, the Issuer, the senior lenders (as named therein), UniCredit Bank AG, Milan Branch, as agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Management*" means the officers, directors, and other members of Senior Management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that (a) is secured by a first-priority Lien on the Collateral or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor and that, in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4), (5), (11), (12) or (13) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Notes (excluding Additional Notes)) and any Refinancing Indebtedness in respect thereof.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided that immediately prior to the occurrence of such event and immediately thereafter and giving pro forma effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than 4.75 to 1.0.

Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Limitation on Sales of Assets and Subsidiary Stock*", to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein).

"*Subsidiary"* means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

  (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

  (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Supply Agreement*" means the supply agreement, dated as of October 23, 2013, by and among HVHC Inc, as buyer, and the Issuer and Marcolin USA, collectively as supplier.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or its Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Issuer and/or any of its Subsidiaries and any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Issuer or such Subsidiary for losses Incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in:

(a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) a Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Revolving Credit Facility;

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, a Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*Certain Definitions*".

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Vendor Financing*" means the loan entered into by and between the seller of Viva Optique, Inc. and 3 Cime S.p.A., in the amount of $30 million, to partially finance the acquisition of Viva Optique, Inc.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

Certain defined terms used but not defined in this section have the meanings assigned to them in the Indenture as described in "*Description of the Notes*."

Notes sold to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). Notes sold to non-- U.S. persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the account of Euroclear and Clearstream.

Ownership of beneficial interests in the Rule 144A Global Note ("**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants and must be in accordance with applicable transfer restrictions set out in the Indenture and in any applicable securities laws of any state of the United States or of any other jurisdiction, as described under "*Offering and Transfer Restrictions*." Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except under the limited circumstances described below, owners of Book-Entry Interests will not be entitled to receive definitive Notes in registered form ("**Definitive Registered Notes**"). Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, the nominee of the common depositary for Euroclear and/or Clearstream (or its respective nominee), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

The Notes will be issued in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Neither of the Issuer nor the Trustee or any Agent will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or its respective nominee), as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit its participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements; *provided*, *however*, that no Book-Entry Interest of less than €100,000 may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Withholding Taxes*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Withholding Taxes*" above, as the case may be, the Issuer will pay such Additional Amounts as may be necessary to ensure that the net amounts received by any holder of the relevant Global Notes or owner of Book-Entry Interests after such deduction or withholding are not less than the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee and the relevant Agents will treat the registered holders of the Global Notes (i.e., the nominee of the common depositary for Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book- Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Notes will be paid to holders of Book-Entry Interests in such Notes through Euroclear and/or Clearstream in euro.

Payment will be subject in all cases to any fiscal or other laws and regulations applicable thereto. Neither the Issuer nor the Trustee nor the Agents will be liable to any holder of the relevant Global Note or any other person for any commissions, costs, losses or expenses in to, or resulting from, any currency conversion.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of a Note (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Indenture, Euroclear and Clearstream, at the request of the holders of such Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes, and to distribute such Definitive Registered Notes to their participants, as described in "*Book-Entry, Delivery and Form—Definitive Registered Notes*."

Transfers

Transfers between participants in Euroclear or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will each bear a legend to the effect set forth under "*Offering and Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Offering and Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Offering and Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Offering and Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book- Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an "Event of Default" under and as defined in the Indenture and enforcement action is being taken in respect thereof under the Indenture.

In any such events described in clauses (1) or (2), the Issuer will issue Definitive Registered Notes, registered in the name or names of holders and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and certain certification requirements and based upon directions received from participants reflecting the beneficial ownership of the Book-Entry Interests). The Definitive Registered Notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the Indenture governing the Notes or by applicable law.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such note by surrendering it to the registrar or a transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that a Definitive Registered Note will only be issued in a denomination of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a change of control offer or asset sale offer. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such a Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee (or its authenticating agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by the Issuer in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only in accordance with the Indenture and, if required, only after the transferor first delivers to the Trustee a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Offering and Transfer Restrictions*."

To the extent permitted by law, the Issuer, the Trustee and the relevant Agents will treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, holders of the Book- Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Issuer nor any of the Initial Purchasers, nor the Trustee or any of the relevant Agents, are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can act only on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee or the Agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to European Union, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

Certain Italian Tax Considerations

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of the Notes for Italian resident and non-Italian resident beneficial owners, although it is not intended to be, nor should it be constructed to be, legal or tax advice. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Neither the Issuer nor any other entity belonging to the Group will update this summary to reflect changes in law or in the interpretation thereof and, if any such change occurs, the information in this summary could be superseded.

Interest on the Notes

Italian Resident Noteholders

Italian Legislative Decree No. 239 of April 1,1996, as amended and supplemented ("**Decree No. 239**"), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from Notes to the extent:

(i) Notes are issued by, inter alia, companies, whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement included the list of States allowing an adequate exchange of information with the Italian tax authorities, as indicated by the Italian Ministerial Decree of September 4, 1996, as subsequently amended in accordance to Article 11 par. 4-c of Decree No. 239, including the amendments recently made by the Italian Ministerial Decree of August 9, 2016 ("**White List States**"); or

(ii) Notes are listed on a qualifying regulated market or on a multilateral trading platform of EU Member States and of the States party to the EEA Agreement of White List States; or

(iii) Notes are held by qualified investors (as defined under Article 100 of the Italian Securities Act).

The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22,1986, as amended and supplemented ("**Decree No. 917**"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and (ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Pursuant to Decree No. 239, payments of Interest relating to Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are subject to a tax, referred to as *imposta sostitutiva,* levied at the rate of 26 percent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) where an Italian resident holder of Notes is the beneficial owner of such Notes, and is:

(a) an individual holding Notes otherwise than in connection with entrepreneurial activity, unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the application of the so-called *risparmio gestito regime* (the "**Asset Management Option**") pursuant to Article 7 of Italian Legislative Decree No. 461 of November 21, 1997, as amended ("**Decree No. 461**"), or

(b) a partnership (other than a *societa in nome collettivo* or *societa in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional associations, or

(c) a private or public entity (other than a company) or a trust not carrying out commercial activities, or

(d) an investor exempt from Italian corporate income taxation.

All the above categories are classed as "**net recipients**."

Where the resident holders of the Notes described in (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due.

Pursuant to Decree No. 239, the 26 percent *imposta sostitutiva* is applied by banks, *societa di intermediazione mobiliare* (so-called "**SIMs**"), fiduciary companies, *societa di gestione del risparmio,* stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance, which are resident in Italy ("**Intermediaries**" and each an "**Intermediary**") or by permanent establishments in Italy of banks or intermediaries resident outside Italy or by organisations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree No. 239. For the purposes of applying *imposta sostitutiva,* Intermediaries or permanent establishments in Italy of foreign intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of Notes, including in their capacity as transferees.

Payments of Interest in respect of Notes issued by the Issuer that fall within the definitions set out above are not subject to the 26 percent *imposta sostitutiva* if made to beneficial owners who are:

(a) Italian resident corporation or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;

(b) Italian resident partnerships carrying out commercial activities *('societa in nome collettivo'* or *'societa in accomandita semplice')*;

(c) Italian resident open-ended or closed-ended collective investment funds, investment companies with fixed capital (SICAFs) or investment companies with variable capital (SICAVs) established in Italy, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of December 5, 2005 ("**Decree No. 252**") and Italian resident real estate investment funds; and

(d) Italian resident individuals holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized financial intermediary and have opted for the Asset Management Option.

Such categories are classed as "**gross recipients**." To ensure payment of Interest in respect of the Notes without the application of the 26 percent *imposta sostitutiva,* gross recipients must

(a) be the beneficial owners of payments of Interest on the Notes; and

(b) deposit the Notes together with the coupons relating to such Notes in due time directly or indirectly with an Italian authorized financial Intermediary (or permanent establishment in Italy of foreign intermediary).

Where the Notes and the relevant coupons are not deposited with an authorized Intermediary (or permanent establishment in Italy of foreign intermediary), *imposta sostitutiva* is applied and withheld:

(a) by any Italian bank or any Italian intermediary paying Interest to the Noteholder, or

(b) by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct any *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes held by Italian collective investment funds, SICAVs and SICAFs is not subject to the *imposta sostitutiva,* but is included in the aggregate income of the investment funds, SICAVs and SICAFs. The Italian collective investment funds, SICAVs or SICAFs will not be subject to taxation on such result, but a withholding tax of 26 percent will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**").

Where an Italian resident noteholder is a pension fund (subject to the regime provided for by article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva,* but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 percent substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Where a Noteholder is an Italian resident real estate investment fund or a SICAF to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva,* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian Resident Noteholders

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer falling within the definitions set out in *"Tax Considerations—Certain Italian Tax Considerations—Interest on the Notes—Italian Resident Noteholders"* above will not be subject to *imposta sostitutiva* at the rate of 26 percent, provided that:

(a) the payments are made to non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected;

(b) such beneficial owners are resident, for tax purposes, in White List States; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva,* are met or complied with in due time.

The 26 percent *imposta sostitutiva* may generally be reduced to 10 percent or reduced to zero under certain applicable double tax treaties entered into by Italy, if more favorable, subject to timely filing of required documentation.

Decree No. 239 also provides for additional exemptions from *imposta sostitutiva* for payments of Interest in respect of the Notes made to: (i) international entities and organizations established in accordance with international agreements ratified in Italy; (ii) "institutional investors," whether or not subject to tax, which are established in White List States; and (iii) Central Banks or entities which manage, *inter alia,* the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26 percent *imposta sostitutiva,* non-Italian resident investors indicated above must:

(a) be the beneficial owners of payments of Interest on the Notes;

(b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Intermediary, or a permanent establishment in Italy of a non-Italian bank or financial intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and

(c) file in due time with the relevant depository a declaration *(autocertificazione)* stating, *inter alia,* that he or she is a resident, for tax purposes, in a White List State. Such declaration *(autocertificazione)* which must comply with the requirements set forth by an Italian Decree of the Ministry for the Economy and Finance of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be

submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The declaration *(autocertificazione)* is not required for non-Italian resident investors that are international entities and organizations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia,* the official reserves of a foreign state.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

Fungible Issues

Pursuant to Article 11, paragraph 2 of Decree 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva,* the issue price of the new Tranche will be deemed to be the same amount as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 percent multiplied by the number of years of the duration of the Notes.

Capital Gains

Italian Resident Noteholders

Pursuant to Decree No. 461, a 26 percent capital gains tax (referred to as *"imposta sostitutiva")* is applicable to capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called "tax declaration regime," which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in entrepreneurial activities to the extent that they do not opt for the "*risparmio amministrato*" regime or the Asset Management Option, the 26 percent *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realized by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given tax year. The capital gains realized in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance income tax due for the relevant tax year. Pursuant to Italian Law Decree No. 66 of April 24, 2014, as converted into law with amendments by Italian Law No. 89 of June 23, 2014 published in the Official Gazette No. 143 of June 23, 2014, ("**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: 76.92 percent. of the capital losses realized from January 1,2012 to June 30, 2014. Alternatively, holders of the Notes who are Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, may elect to pay imposta sostitutiva separately on capital gains realized on each sale or transfer or redemption of the Notes ("*risparmio amministrato"* regime). Such separate taxation of capital gains is allowed subject to

(a) the Notes being deposited with an Intermediary (or permanent establishment in Italy of a foreign intermediary); and

(b) an express election for the so called *risparmio amministrato* regime being made in writing in due time by the relevant holder of the Notes.

The Intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or transfer or redemption of the Notes, as well as on capital gains realized as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realized on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realized before January 1, 2012 may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of 76.92 percent of the capital losses realized from January 1, 2012 to June 30, 2014. Under the *risparmio amministrato* regime, any realized capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Special rules apply if the Notes are part of (i) a portfolio managed under the Asset Management Option by an Italian asset management company or an authorized intermediary or (ii) an Italian *Organismo di Investimento Collettivo del Risparmio* (which includes a *Fondo Comune di Investimento,* SICAV or SICAF). In both cases, capital gains on the Notes will not be subject to 26 percent *imposta sostitutiva* on capital gains but will respectively contribute to determine the taxable base of the Asset Management Tax and of the Collective Investment Fund Tax.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realized, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the four subsequent years. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of 76.92 percent of the depreciations in value registered from January 1, 2012 to June 30, 2014. Under the Asset Management Option the realized capital gain is not required to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Any capital gains realized by a Noteholder that is an Italian real estate fund created under Article 37 of Italian Financial Act shall not be subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

In the case of Notes held by investment funds, SICAVs or SICAFs, capital gains on Notes contribute to determine the increase in value of the managed assets of the funds, SICAVs or SICAFs accrued at the end of each tax year. The investment funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Substitute Tax will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Any capital gains realized by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree No. 252 of December 5, 2005) and the Notes are deposited with an Italian resident intermediary, will not be subject to *imposta sostitutiva,* but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 percent on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Where a Noteholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Italian Law Decree No. 351 of September 25, 2001, as subsequently amended, apply, capital gains realized will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realized by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Non-Italian Resident Noteholders

The 26 percent *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realized upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However any capital gains realized by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration *(autocertificazione)* of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) Pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of the Notes if they are resident for tax purposes in a White List State. Under these circumstances, if non-Italian resident beneficial owners of the Notes without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply **provided that** they timely file with the authorized financial intermediary an appropriate declaration *(autocertificazione)* stating that they meet the requirement indicated above. The same exemption applies in case the beneficial owners of the Notes are (i) international entities or organizations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in White List States; or (iii) Central Banks or entities which manage, *inter alia,* the official reserves of a foreign State.

(b) In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, **provided that** capital gains realized upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon sale for consideration or redemption of Notes. Under these circumstances, if non- Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Option or are subject to the *risparmio amministrato* regime, exemption from Italian capital gains tax will apply **provided that** they timely file with the authorized financial intermediary appropriate documents which include, *inter alia,* a statement from the competent tax authorities of the country of residence of the non-Italian residents.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non- resident persons and entities in relation to Notes deposited for safekeeping or administration with Italian banks, SIMs and other eligible entities, but non-resident Noteholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

Inheritance and Gift Tax

Pursuant to Italian Law Decree No. 262 of October 3, 2006, converted into law with amendments by Italian Law No. 286 of November 24, 2006, effective from November 29, 2006, and Italian Law No. 296 of December 27, 2006, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

(i) transfers in favor of spouses and direct descendants or ancestors are subject to an inheritance and gift tax applied at a rate of 4 percent on the value of the inheritance or gift exceeding €1,000,000 (per beneficiary);

(ii) transfers in favor of brothers or sisters are subject to an inheritance and gift tax applied at a rate of 6 percent on the value of the inheritance or the gift exceeding €100,000 (per beneficiary);

(iii) transfers in favor of relatives up to the fourth degree and relatives-in-law up to the third degree are subject to an inheritance and gift tax applied at a rate of 6 percent on the entire value of the inheritance or the gift; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 percent on the entire value of the inheritance or the gift.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

Moreover, an anti-avoidance rule is provided for by Italian Law No. 383 of October, 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the *imposts sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant imposta sostitutiva on capital gains as if the gift was not made.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Registration Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds *(atti pubblici e scritture private autenticate)* executed in Italy are subject to fixed registration tax at a rate of €200; (ii) private deeds *(scritture private non autenticate)* are subject to registration tax at a rate of €200 only in the case of use or voluntary registration.

Stamp Duty

According to Article 13 par. *2-ter* of the tariff Part I attached to Italian Presidential Decree No. 642 of October 26,1972, as amended by Article 1 par. 581 of Italian Law No. 147 of December 27, 2013, a proportional stamp duty applies on a yearly basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. This stamp duty applies at the rate of 0.20 percent on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product and cannot exceed the amount of €14,000 for Noteholders that are not individuals. Stamp duty will apply on the Notes, both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on May 24, 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on June 20, 2012 and September 30, 2016) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on Financial Assets Deposited Abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Italian Law No. 147 of December 27, 2013, and Article 9 of Italian Law No. 161 of October 30, 2014, Italian resident individuals holding financial assets—including the Notes—outside of the Italian territory are required to pay a wealth tax at the rate of 0.2 percent. The tax applies on the market value at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory.

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of June 28,1990, converted by Italian Law No. 227 of August 4, 1990, as amended by Italian Law No. 97 of August 6, 2013 and subsequently amended by Italian Law No. 50 of March 28, 2014 and Italian Law No. 225 of December 1st, 2016, individuals, non-profit entities and certain partnerships *(societa semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

OECD Common Reporting Standards

The EU Savings Directive adopted on June 3, 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from

January 1, 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("**CRS**") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Italian Law No. 95 of June 18, 2015 ("**Law 95/2015**"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated December 28, 2015, which has entered into force on January 1, 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of the Notes hold the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of December 28, 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. The summary is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under "*Tax Considerations—Certain United States Federal Income Tax Considerations—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service ("**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or arrangements and investors in such entities or arrangements, persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includable in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. dollar value of the euro interest payment (determined based on the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but may have exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income (as ordinary income) the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to the Notes during an accrual period. The U.S. dollar value of such euro-denominated accrued stated interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. holder may elect, however, to translate such accrued stated interest income into U.S. dollars using the spot rate of exchange on the last day of the interest accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued stated interest, a U.S. holder that has made the election described in the prior sentence may translate such interest using the spot rate of exchange on the date of receipt of the stated interest. The above election will apply to other debt instruments held by an electing U.S. holder and may not be changed without the consent of the IRS. A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued stated interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date such stated interest is received) in respect of such accrual period and the U.S. dollar value of stated interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as stated interest income

as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note. If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date payment is received or the Note is disposed of. In the case of a Note that is considered to be traded on an established securities market, an accrual basis U.S. holder may elect to determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate of exchange on the date of purchase. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and, except as discussed below with respect to foreign currency exchange gain or loss, generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of the Note that is attributable to fluctuations in currency exchange rates generally will be U.S. source ordinary income or loss and generally will not be treated as interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between the U.S. dollar value of the U.S. holder's foreign currency purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder disposes of the Note and the U.S. dollar value of the U.S. holder's purchase price for the Note, determined at the spot rate of exchange on the date the U.S. holder purchased such Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may recognize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "*Tax Considerations—Certain United States Federal Income Tax Considerations—Payment of Stated Interest*." However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize any foreign currency exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have OID for U.S. federal income tax purposes (or a greater amount of OID) which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

Treasury regulations issued under the Code meant to require the reporting to the IRS of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency note or foreign currency received in respect of a foreign currency note. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Individuals that own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report on IRS Form 8938 (Statement of Specified Foreign Financial Assets) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**"), a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. In addition, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the Notes issued hereby and are subject to withholding under FATCA, then withholding agents may treat the Notes issued hereby (along with the Additional Notes) as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated February 3, 2017 (the "**Purchase Agreement**"), by and among the Issuer and the Initial Purchasers, we have agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from us, together with all other Initial Purchasers, €250.0 million principal amount of Notes.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Issuer has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, to not, without having received prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by the Issuer that are substantially similar to the Notes.

The Initial Purchasers propose to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act. and may not be offered or sold within the United States except to "qualified institutional buyers" in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act. Resales of the Notes are restricted as described under "*Transfer and Offering Restrictions*." Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "*Transfer and Offering Restrictions*." The Initial Purchasers have agreed that they will only offer or sell the Notes (1) outside the United States in offshore transactions in reliance on Regulation S and (2) in the United States to qualified institutional buyers in reliance on Rule 144A. The terms used above have the meanings given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Notes, an offer or sale of such Notes within the United States by a dealer that is not participating in the Offering of the Notes may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Notes are a new issue of securities for which there currently is no market. The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

In connection with the Offering of the Notes, Credit Suisse Securities (Europe) Limited (the "**Stabilizing Manager**"), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers expect to make offers and sales both inside and outside the United States through their selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC.

Each of the Initial Purchasers has also agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States or Italy, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us, the Group or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resales of the Notes. Please see the sections entitled "*Notice to Investors*" and "*Offering and Transfer Restrictions*."

The Issuer and the Guarantors have agreed to indemnify each Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that any Initial Purchaser may be required to make in respect thereof. The Issuer will pay the Initial Purchasers a commission and pay certain fees and expenses relating to the offering of the Notes.

It is expected that delivery of the Notes will be made against payment therefor on or about the Issue Date as specified on the cover page of this Offering Memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement being herein referred to as "**T+5**"). Under Rule 15(c)6-l under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Certain of the Initial Purchasers and their affiliates (including their parent companies) have from time to time performed, and in the future may perform, lending advisory, certain investment banking and/or other financial services for us, our affiliates or our former affiliates, in the ordinary course of business to the Issuer (including its parent and group companies) for which they have received, and in the future may receive, customary fees and reimbursement of expenses. In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections attached to their clients, nor for providing advice in relation to the Offering.

The Initial Purchasers will receive a portion of their agreed-upon fees and commissions from the gross proceeds of the Offering.

Furthermore, certain of the Initial Purchasers and their respective affiliates act as a lenders under the Existing Revolving Credit Facility, which will be cancelled in connection with the Refinancing, and the Initial Purchasers and their respective affiliates will act as a lenders under the New Revolving Credit Facility.

Certain proceeds from the Offering will be used to repay all outstanding amounts due under the Existing 2019 Notes, for which certain of the Initial Purchasers acted as initial purchasers.

OFFERING AND TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

Neither the Notes nor the Guarantees have been registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, "**U.S. persons**" (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes only:

- to U.S. investors that we reasonably believe to be "**qualified institutional buyers**," commonly referred to as "**QIBs**," (as defined in Rule 144A under the U.S. Securities Act) in compliance with Rule 144A; and
- outside the United States, to non-U.S. persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S.

If you purchase Notes in this Offering, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Rule 904 of Regulation S under the U.S. Securities Act; or (iii) to the Company, in each case in accordance with any applicable securities laws, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in the legend below.
- You are not our "affiliate" (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:
  - a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or
  - you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- You acknowledge that none of the Company, the Guarantors, the Initial Purchasers or any person representing the Company, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Company or the offer or sale of any of the Notes, other than by the Company and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Company, the Guarantors, the Indenture, the Notes, and the Guarantees as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Company, the Guarantors and the Initial Purchasers.
- You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A or any other exemption from registration available under the Securities Act, or in any transaction not subject to the Securities Act.

- You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) only (i) to us, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, PLEDGED, ENCUMBERED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, "U.S. PERSONS" (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR

TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(i) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

(ii) You acknowledge that:

- (a) the Company, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

- (a) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

  - (1) you have sole investment discretion; and

  - (2) you have full power to make the foregoing acknowledgements, representations and agreements.

(iii) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

You understand that no action has been taken in any jurisdiction (including the United States) by the Company or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Company or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Plan of Distribution*.”

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the Guarantees and the security interests and a summary of certain insolvency law considerations in effect in (i) Italy, the jurisdiction where the Issuer is organized and (ii) the jurisdiction where the Guarantors are organized. It is a summary only, and proceedings (bankruptcy, insolvency or similar events) could be initiated in such jurisdiction and in the jurisdiction of organization of a future guarantor of the Notes. This summary is qualified in its entirety by reference to Italian, French, English and German law, as the case may be, and it does not purport to be complete. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction and law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and the security interests in the Collateral. Prospective investors should consult their own legal advisors with respect to such limitations and considerations.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

Italy

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (*i.e*., security or guarantee granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e*., security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of

the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

The Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Italian Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct party to the Indenture, there is the risk that the appointment of the Trustee in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favour of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

England

Challenges to Guarantees and Security

Marcolin UK which will guarantee the Notes is a company organized under the laws of England and Wales (Marcolin UK, and any other English company providing a guarantee in the future, the "**English Guarantor**"). There are circumstances under English insolvency law in which the granting of security and guarantees by an English company or a company whose center of main interests is in England and Wales can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event of the onset of the English Guarantor's insolvency that is within any of the requisite time periods set forth below, the grant of any security or guarantee will not be challenged or that a court would uphold the transaction as valid.

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of a company can, pursuant to section 238 of the Insolvency Act 1986, as amended (the "**Insolvency Act**"), apply to the court for an order to set aside a security interest (in certain cases) or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only be a transaction at an undervalue if the transaction constitutes a gift or is made on terms that provide that the company receives no consideration or if the company receives consideration of significantly less value, in money or in money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act and discussed further below). In addition, the company must be "unable to pay its debts" (as defined in section 123 of the Insolvency Act) when it grants the security or gives the guarantee or become unable to pay its debts as a result of the granting of security or the giving of the guarantee.

A court will not make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any security interests granted or guarantees, although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the Insolvency Act and discussed further below), in which case there is a presumption that the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction.

Preference

Under English insolvency law, a liquidator or administrator of a company can, pursuant to section 239 of the Insolvency Act, apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds such security interest or such guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act and discussed further below) if the beneficiary of the security interest or the guarantee is not a connected person or two years if the beneficiary is a connected person. In addition, the company must have been "unable to pay its debts" at the time it gave the preference or become unable to pay its debts as a result. A company's inability to pay its debts in this context has the same meaning as in the case of a transaction at an undervalue save that, in the case of a preference, there is no presumption of insolvency if the parties are connected. A court will not make an order in respect of a preference of a person unless it is satisfied that the company in deciding to give the preference was influenced by a desire to put that person in a better position. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the security interests or guarantees). There is protection for a third party that benefits from the transaction and acted in good faith and for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

Grant of Floating Charge

Under English insolvency law, if a company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the Insolvency Act and discussed further below). The floating charge, however, will be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a "connected person" (as discussed further below), the charge can be challenged if given within two years of the onset of insolvency and the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a "security financial collateral arrangement" under the Financial Collateral Arrangements (No.2) Regulations 2003 (the "**Financial Collateral Arrangements Regulations**"), as explained further below, the floating charge will not be subject to challenge as described in this paragraph.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question. In administration the onset of insolvency is the date on which (a) the court application for an administration order is issued or (b) the notice of intention to appoint an administrator is filed at court or (c) otherwise, the date on which the appointment of an administrator

takes effect. In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be as for the initial administration.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a ‘‘connected person,’’ then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator. A connected person for the purposes of transactions at an undervalue, preferences and invalid floating charges, is a party who is a director, shadow director, an associate of such director, or an associate, of the relevant company. A party is associated with an individual if they are a relative of the individual or the individual’s husband, wife or civil partner, or the husband, wife or civil partner of a relative of the individual or the individual’s husband, wife or civil partner. A party is associated with a company if employed by that company. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a “victim” of the relevant transaction can, pursuant to section 423 of the Insolvency Act, apply to the court for an order to set aside a security interest or guarantee granted by that company on the grounds the security interest or guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as outlined above) and the court is satisfied that the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the security interest or guarantees) but there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any “victim” of the transaction (with the permission of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit under English insolvency legislation within which the company must enter insolvency proceedings and the relevant company does not need to have been unable to pay its debts at the time of the transaction.

Extortionate Credit Transaction

Under section 44 of the Insolvency Act, an administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company up to three years before the day on which the English company entered into administration or went into liquidation. A transaction is “extortionate” if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Post-Petition Interest

Any interest accruing under or in respect of amounts due under the Notes or the guarantee provided by the English Guarantor (the “**English Guarantee**”) in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable by holders of Notes from any surplus remaining after payment of all other debts proved in an English Guarantor’s insolvency proceedings and accrued and unpaid interest up to the date of the commencement of those proceedings provided that such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Account Banks’ Right to Set-off

With respect to English law governed charges over cash deposits (each an ‘‘**Account Charge**’’) granted by a Guarantor over any of its bank accounts, the banks with which some of those accounts are held (each an

''**Account Bank**'') may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangement with that chargor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant chargor) the Account Bank will no longer be entitled to exercise its netting and set-off rights in relation to the account, except where the Account Banks have expressly reserved set-off rights.

Equitable Share Security

Security over shares granted by the English Guarantor or over the shares of the English Guarantor are equitable charges, not legal mortgages or pledges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Limitation on Enforcement

The grant of a guarantee or security by the English Guarantor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that these do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with the English Guarantor in good faith, however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the English Guarantor by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 (the "**Companies Act**") provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English Guarantor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act, any security (including where not governed by English law) granted by the English Guarantor (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21-day period, will be deemed to be void against a liquidator, administrator and a creditor of the English Guarantor. Further, failure to register also means that the debt which was intended to be secured is deemed to have become immediately payable.

In the event where the relevant security document is not registered, the English Guarantor may be required to enter into a new security document and register that with Companies House within 21 days of its creation. Alternatively, it may be possible to apply to the English courts for an order to rectify the position and allow the charge to be registered after the 21 day period has expired. This application can be made by the English Guarantor or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales do not need to be registered with the Registrar of Companies (although they may still need to be registered with the applicable asset registry). Security interests forming part of a "security financial collateral arrangement" for the purposes of the Financial Collateral Arrangements Regulations are not required to be registered under the Companies Act. Guarantees and security granted by the English Guarantor are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act.

France

Limitations on Guarantee

The liabilities and obligations of Marcolin France (the "**French Guarantor**") under the Guarantee are subject to:

- certain exceptions, including the exclusion of any obligations which, if incurred, would constitute the provision of financial assistance within the meaning of Article L. 225-216 of the French *Code de Commerce,* which prohibits a company from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition and/or a misuse of corporate assets or of credit within the meaning of Articles L. 241-3, L. 242-6 or L. 244-1 of the French *Code de Commerce*; and
- French corporate benefit rules.

Under French corporate benefit rules, a guarantor must receive an actual and adequate benefit from the transaction involving the granting by it of the guarantee, taken as a whole. In addition, the amounts guaranteed must be commensurate with the benefit received. A court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if it found that these criteria were not fulfilled. The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, each of the guarantees by the French Guarantor and the amounts recoverable thereunder will be limited, at any time, to an amount equal to the aggregate of the proceeds of the Notes to the extent directly or indirectly on-lent by the Issuer, or used to refinance any indebtedness previously directly or indirectly on-lent, to the French Guarantor or any of its controlled subsidiaries (within the meaning of article L.233-3 of the French *Code de Commerce*) under intercompany loans or similar arrangements and outstanding and owed by such French Guarantor (or any of its the controlled subsidiaries) on the date a payment is requested to be made by such French Guarantor under its Guarantees. Any payment made by such French Guarantor under its Guarantee in respect of the obligations of any other obligor shall reduce *pro tanto* the outstanding amount of the intercompany loans due by such French Guarantor or its controlled subsidiaries under the intercompany loan arrangements referred to above. By virtue of this limitation, the French Guarantor's obligation under the Guarantee could be significantly less than amounts payable with respect to the Notes. To the extent that no proceeds of the Notes are downstreamed to the French Guarantor or its subsidiaries the French Guarantor will have effectively no obligation under its Guarantee.

No French Guarantor will be acting jointly and severally with the Issuers and/or the other Guarantors as to its obligations arising under or in connection with any such guarantee given in accordance with any Indenture.

Limitations on the Enforcement of Security Interests

Parallel Debt

Under French law, certain "accessory" security interests, such as pledges, require that the pledgee of a French law security interest and the creditor of the claim secured by such security interest be the same person. Such security interest cannot be held on behalf of third parties who do not hold the secured claim, unless they act as fiduciary (*fiduciaire*) under Article 2011 of the French *Code Civil* or as security agents under article 2328-1 of the French *Code Civil*. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, there will be provided for the creation of "parallel debt" obligations in favor of the Security Agent (the "**Parallel Debt**") mirroring the obligations of the Issuer and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the "**Principal Obligations**").

The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. Insofar as it relates to the claims of the holders of the Notes, the pledges governed by French law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

There is one published decision of the French Supreme Court (*Cour de cassation*) on Parallel Debt mechanisms (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) relating to a bond documentation governed by New York law. Such a decision recognized the enforceability in France of certain rights (especially the filing of claims in safeguard proceedings) of a security agent benefiting from a Parallel Debt. In particular, the French Supreme Court upheld the proof of claim of the legal holders of a Parallel Debt claim, considering that it did not contravene French international public policy *(ordre public international*) rules. The ruling was made on the basis that the French debtor was not exposed to double payment or artificial liability as a result of the Parallel Debt mechanism. Although this court decision is generally viewed by legal practitioners and academics as a recognition by French courts of Parallel Debt structures in such circumstances, there can be no assurance that such a structure will be effective in all cases before French courts. Indeed, it should be noted that the legal issue addressed by it is limited to the proof of claims. The French court was not asked to generally uphold French security interests securing a Parallel Debt. It is also fair to say that case law on this matter is scarce and based on a case-by-case analysis. Such a decision should not be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a Parallel Debt claim. There is no certainty that the Parallel Debt construction will eliminate the risk of unenforceability under French law.

To the extent that the security interests in the Collateral created to the benefit of the Security Agent as Parallel Debt Creditor under the Parallel Debt construction are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. The holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent as the beneficiary of the Parallel Debt.

The Trustee has certain assigned duties and rights under the Indenture that become particularly important following Defaults or Events of Default, and acts as trustee in a fiduciary capacity in the best interests of the holders of the Notes.

The concept of "*trust*" has been recognized by the French Tax Code and by the French Supreme Court (*Cour de cassation*), which has held, in the same published decision referred to above (Cass. com. September 13, 2011 n°10-25533 *Belvédère*) that a trustee validly appointed under a trust governed by the laws of the State of New York could validly be regarded as a creditor in safeguard proceedings commenced in France. However, while substantial comfort may be derived from the above, France has not ratified the Hague Convention of July 1, 1985 on the law applicable to trusts and on their recognition, so that the concept of "trust" has not been generally recognized under French law.

The Security Documents are granted to the benefit of *inter alia* the Trustee. To the extent that the security interests in the Collateral created to the benefit of the Trustee are successfully challenged by other parties, holders of the Notes will not be entitled to receive on this basis any proceeds from an enforcement of the security interests in the Collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Trustee.

Fraudulent Conveyance

French law contains specific "*action paulienne*" provisions dealing with fraudulent conveyance both in and outside insolvency proceedings. The *action paulienne* offers creditors protection against a decrease in their means of recovery. A legal act performed by a debtor (including, without limitation, an agreement pursuant to which such debtor guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such debtor's or a third party's obligations, enters into additional agreements benefiting from existing security or any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant debtor by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or reorganization plan (*commissaire à l'exécution du plan*) insolvency proceedings of the relevant debtor or by any of the creditors of the relevant debtor outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings. Any such legal act may be declared unenforceable against third parties if: (i) the debtor performed such act without an obligation to do so; (ii) the relevant creditor or (in the case of the debtor's insolvency proceedings) any creditor was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the legal act was performed, both the debtor and the counterparty to the transaction knew or should have known that one or more of such debtor's creditors (existing or future) would be prejudiced in their means of recovery (where the legal act was entered into for no consideration (*à titre gratuit*), no such knowledge of the counterparty is necessary). If a court found that the issuance of the Notes, the grant of the security interests in the Collateral, or the granting of a Guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the

issuance of the Notes, the granting of the security interests in the Collateral or the granting of such Guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, holders of the Notes may not enjoy the benefit of the Guarantee or the security interests in the Collateral and the value of any consideration that holders of the Notes received with respect to the Guarantee or the security interests in the Collateral could also be subject to recovery from the holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or a Guarantor as a result of the fraudulent conveyance.

Recognition of intercreditor arrangements by French courts

There is no law or published decision of the French courts of appeal or of the French Supreme Court (*Cour de cassation*) on the validity or enforceability of the obligations of an agreement such as the Intercreditor Agreement, except for Article L. 626-30-2 of the French *Code de Commerce* which states that, in the context of safeguard proceedings, the safeguard plan which is put to the vote of the creditors' committees takes into consideration (*prend en compte*) the provisions of subordination agreements between creditors which were entered into prior to the commencement of the safeguard proceedings. As a consequence, except to the extent referred to above (which, as at the date of this offering memorandum, has received no judicial interpretation), we cannot rule out that a French court would not give effect to certain provisions of the Intercreditor Agreement.

Perfection formalities under French law

Under French law, a security interest in certain assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. Furthermore, it should be noted that neither the Trustee nor the Security Agent shall have any obligation to take any steps or action to perfect any of these liens. In particular, part of the Collateral includes pledges over the securities of Marcolin France which is organized in the form a stock company (*société par actions*). The relevant pledge agreement governed by French law consists of a pledge over a securities account (*nantissement de compte de titres financiers*) in which the relevant securities are registered. The securities account pledges will be validly established after execution of a statement of pledge (*déclaration de nantissement de compte titres financiers*) by the relevant security provider (in this case, the Issuer and Marcolin International B.V.) in favor of the Security Agent. The statement of pledge will have to be registered in the relevant shareholder's account (*compte d'actionnaire*) and shares registry (*registre de mouvement de titres*) of the French Guarantor. In France, no lien searches are available for security interests which are not publicly registered, with the result that no assurance can be given on the priority of a security interest if it is not publicly registered.

Limitations on enforcement of security interests and cash amount ("soulte")

Security interests governed by French law may only secure a creditor up to the secured amount that is due and unpaid to it. Pledges over securities (whether in the form of a pledge over securities account or in the form of a pledge over shareholding interests (*parts sociales*)) may generally be enforced at the option of the secured creditors either (i) by way of a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or (ii) by way of judicial foreclosure (*attribution judiciaire*) or, to the extent provided for in the relevant Security Document, contractual foreclosure (*pacte commissoire*) of the pledged securities to the secured creditors, following which the secured creditors become the legal owner of the pledged securities. If the secured creditors choose to enforce by way of foreclosure (whether a judicial foreclosure or contractual foreclosure), the secured liabilities would be deemed extinguished up to the value of the foreclosed securities. Such value is determined either by the court in the context of a judicial attribution or by a pre-contractually agreed expert in the context of a contractual foreclosure. If the value of the Collateral exceeds the amount of secured debt, the secured creditor may be required to pay the pledgor a cash amount (*soulte*) equal to the difference between the value of the securities as so determined and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditor from a subsequent on-sale of the Collateral.

If the value of such securities is less than the amount of the secured debt, the relevant amount owed to the relevant creditors will be reduced by an amount equal to the value of such securities, and the remaining amount owed to such creditors will be unsecured in that respect.

An enforcement of the pledged securities could be undertaken through a public auction in accordance with applicable law. If such enforcement is implemented through a public auction procedure, it is possible that the sale price received in any such auction might not reflect the value of the securities since the latter will not be sold pursuant to a competitive bid process and/or a private sale organized by an investment bank and controlled by the vendor on the basis of a value determined pursuant to the methods usually used for the purpose of the acquisition of companies or groups of companies.

Germany

Marcolin Germany (the "**German Guarantor**") which will guarantee the Notes is a company organized under the laws of Germany, and in particular, in the form of a company with limited liability (*Gesellschaft mit beschränkter Haftung,* GmbH). Consequently, the granting of a guarantee by the German Guarantor will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "**GmbHG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from repaying its stated share capital, for example, by disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves)—or, in case of a German limited partnership with a German limited liability company as general partner (a "**GmbH & Co. KG**"), its general partner's net assets—is or would fall below, or increase or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees or security interests granted by a GmbH or a GmbH & Co. KG in order to guarantee and/or secure liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and to provide security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such "limitation language", the beneficiaries of the guarantees contractually agree to enforce the guarantees and security interests against the German subsidiary which is a GmbH or a GmbH & Co. KG only if and to the extent that such enforcement does not result in the GmbH's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions).

Accordingly, as a matter of German corporate law, the documentation in relation to the guarantees, to the extent provided by the German Guarantor, contains such contractual limitation language and such guarantees are limited in the manner described. This could lead to a situation in which the respective guarantee or security interest granted by the German Guarantor cannot be enforced at all.

German capital maintenance rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German Guarantor to make payments on the guarantee.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a GmbH or a GmbH & Co. KG of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a subsidiary guarantee granted by a German guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. Furthermore, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by a German guarantor.

Furthermore, under German law, a secured party is under certain conditions, obligated to release security if the realizable value of the security is significantly higher than the value of the obligations secured by such security.

Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee could moreover become personally liable under exceptional circumstances. The German Federal

Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or security interest is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Certain Insolvency Law Considerations

European Union

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings, as amended from time to time (the "**E.U. Insolvency Regulation**"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "**center of main interests**" (as that term is used in Article 3(1) of the E.U. Insolvency Regulation). The determination of where a company has its "center of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Furthermore, "center of main interests" is not a static concept and may change from time to time. Although there is a presumption under Article 3(1) of the E.U. Insolvency Regulation that a company has its "center of main interests" in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the E.U. Insolvency Regulation states that the "center of main interests" of a "debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties." The European Court of Justice has ruled in a recent judgment that a debtor company's center of main interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, is irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a Member State other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties. If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the E.U. Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the E.U. Insolvency Regulation, with these proceedings governed by the *lex fori concursus, i.e.* the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one Member State under the E.U. Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "center of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the E.U. Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the E.U. Insolvency Regulation.

The E.U. Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "New E.U. Insolvency Regulation") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The E.U. Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New E.U. Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New E.U. Insolvency Regulation, in the case of a

company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another Member State than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New E.U. Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

On June 23, 2016, the United Kingdom held a referendum to decide on its membership of the EU. The United Kingdom vote was to leave the EU. The terms of the exit are not certain and therefore it is not possible to know what impact any exit from the EU will have on the application of EU law (including the EU Insolvency Regulation or the New EU Insolvency Regulation) to, or in connection with, any insolvency proceedings (including, without limitation, the commencement of such insolvency proceedings and the jurisdiction of the United Kingdom courts to open such insolvency proceedings) to which the Issuer or any Guarantor may be subject.

Italy

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on 23 June 2015 through a law-decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force on June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by the Italian Law No. 132/2015 ("**Law 132**"). Law 132 entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*).

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring outside of a judicial process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-court reorganization plans (Piani di risanamento) pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors pursuant to Article 182-bis of the Italian Bankruptcy Law (Accordi di ristrutturazione dei debiti)

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (i.e., facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor while negotiations with creditors are pending (i.e., prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the

moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (i.e., before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* security (*garanzie reali*), *provided that* the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (omologazione), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, *provided that* the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-supervised pre-bankruptcy composition with creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis (i.e. financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the concordato preventivo may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further

verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period.

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the concordato preventivo having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

The concordato preventivo is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise

their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the concordato preventivo (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a prebankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the concordato preventivo, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;

- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. Any outstanding balance will be considered unsecured and rank pari passu with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- any act (including payments) made by the debtor after the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors.
- Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- ***Bankruptcy composition with creditors (concordato fallimentare).*** Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

- ***Statutory priorities.*** The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. In particular, article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (i.e. claims

originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims.

- Avoidance powers in insolvency. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner.

(a) ***Acts ineffective by operation of law***.

(i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective vis-à-vis creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) Acts that may be avoided at the bankruptcy receiver's request.

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the above referenced Italian Royal Decree and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

- onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
- payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
- pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted; and
- pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent:

- payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
- granting of security interest for debts incurred in the six months prior to the insolvency declaration.

(iii) The following transactions are exempt from claw-back actions:

- payments for goods or services made in the ordinary course of business according to market practice;

- a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
- the sale, including an agreement for sale registered pursuant to Article 2645-bis of Italian Royal Decree No. 262 of March 16, 1942 (the "Italian Civil Code"), currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
- transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;
- a transaction entered into, payment made or guarantee granted in the context of "concordato preventivo" under Article 161 of the Italian Bankruptcy Law or an "accordo di ristrutturazione del debito" under Article 182-bis of the Italian Bankruptcy Law;
- remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them;
- payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to concordato preventivo procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design).

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g. gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale*—"family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure*." To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Extraordinary administration procedures involve two main phases—an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Productive Activities Minister (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

If the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however' should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of 23 December 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure*." It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (e.g., in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the

expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years ("*revocatoria ordinaria*").

Under Italian law, in the event that the relevant Guarantor enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such Guarantor under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the "suspect period"). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (i.e., to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (e.g., payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor's Guarantee or the granting of security interests under the Security Documents by a Guarantor. If they are challenged successfully, the rights granted under the Italian Guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the E.U. Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

England

Any insolvency proceedings by or against the English Guarantor would likely be under English insolvency laws. However, pursuant to Council Regulation (EC) no. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended (the "**EU Insolvency Regulation**"), where a company incorporated under English law has its "centre of main interests" in a member state of the European Union other than England and Wales, the main insolvency

proceedings for that company may be opened in the EU Member State in which the company's centre of main interest is located and be subject to the laws of that EU Member State.

The Cross-Border Insolvency Regulations 2006 (the "**CBIR**"), which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, have concepts of "centre of main interests" and "establishment". The CBIR allow for recognition by the English courts of certain foreign insolvency proceedings (although there is a carve-out for certain credit institutions and insurance undertakings among other entities). Under the CBIR, a foreign insolvency officeholder appointed in foreign insolvency proceedings may apply to the English courts for recognition of the foreign insolvency proceedings which, providing certain requirements are met, the English courts will grant. The foreign insolvency proceedings will be recognized as either "foreign main proceedings" (meaning a foreign proceeding taking place in the state where the debtor has the centre of its main interests) or "foreign non-main proceedings" (meaning a foreign proceeding, other than a foreign main proceeding, taking place in a state where the debtor has an establishment (being any place of operations where it carries out a non-transitory economic activity with human means and assets or services)).

Under section 426 of the Insolvency Act, courts in the Channel Islands, Isle of Man and certain designated countries (including the Bahamas, the British Virgin Islands, Canada and Gibraltar) may apply to the English courts for assistance in insolvency proceedings. The type of assistance that may be provided is broad following the request from the court of a designated country such that local law or the law of the requesting country may be applied in the provision of assistance by the English courts (save as prohibited under the Financial Collateral Arrangements Regulations).

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar. Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or creditor making an application for administration, in or out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Fixed and Floating Charges

Fixed charge security has a number of advantages over floating charge security: (i) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet certain statutory administration expenses (which can include the costs of continuing to operate the charged company's business whilst it is in administration) in priority to the claims of the floating charge holder; (ii) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets provided that the floating charge has not crystallised at the time the fixed charge is granted; (iii) general costs and expenses (including the insolvency office-holder's remuneration) properly incurred in a winding-up or administration are payable out of floating charge assets, to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation), in priority to floating charge claims (the same does not apply to fixed charge claims); (iv) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charged company so as to give a third party good title to the assets free of the floating charge; (v) floating charge security is subject to certain challenges under English insolvency law (please see ''Grant of Floating Charge'' above); and (vi) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds (please see definition of ''Prescribed Part'' below).

Under English law there is a possibility that a court could recharacterize as floating charges any security interests expressed to be created by a security document as fixed charges where (among other things) the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof, or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges are not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Administration

Assuming that the company's centre of main interests is in England and Wales, the company, its directors or the holder of a "qualifying floating charge" may appoint an administrator using an out of court route. Different procedures apply according to the identity of the appointer. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. The holder of a qualifying floating charge may appoint an administrator if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole, of the property of the relevant English company and at least one such security interest is a qualifying floating charge. An administrator can also be appointed by the English courts in respect of a company with its centre of main interests in England in certain circumstances. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve one of three statutory purposes. The court may, upon the petition of a creditor, place a company into liquidation, and the company and its directors may resolve to place the company into liquidation, if the company it unable to pay its debts.

Under section 123 of the Insolvency Act, a company is insolvent if it is unable to pay its debts. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

There is a general prohibition against the appointment of an administrative receiver to an English company by the holder of a debenture or floating charge. Exceptions to that prohibition are if the qualifying floating charge is contained in a security document which pre-dates 15 September 2003 or falls within one of the exceptions in the Insolvency Act, as amended by the Enterprise Act 2002, to the prohibition on the appointment of administrative receivers. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, and is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property, must resign if required to do so by the administrator.

English insolvency laws and other limitations could limit the enforceability of a Guarantee against a Guarantor and the enforceability of security interests over the Collateral, to the extent that those security interests are subject to English law or have been granted by an English incorporated company or a company which has its centre of main interests in England and Wales.

Moratoria and Other Considerations

As stated above, an administrator can be appointed in respect of a company with its centre of main interests in England. An administrator must perform his or her functions in order to achieve the purpose of administration. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than if the company went into immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby realizing property, to make a distribution to secured or preferential creditors.

During the administration, in general, no proceedings or other legal process may be commenced or continued against such company, or security enforced over such company's property, except with permission of the court or the consent of the administrator. This moratorium does not, however, apply to a "security financial collateral arrangement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital

market debt instruments) under the Financial Collateral Arrangements Regulations. During the administration of a company, a creditor would not be able to enforce any security interest (other than valid security financial collateral arrangements) including in respect of a guarantee granted by it (although a demand for payment could be made under such guarantee) without the consent of the administrator or the permission of the court. In addition, a secured creditor cannot appoint an administrative receiver while an administrator is in office although, in certain circumstances (principally where one of the exceptions to the general prohibition on the appointment of an administrative receiver applies as set out in the Insolvency Act or pursuant to a debenture dated earlier than 15 September 2003), the holder of a floating charge can block the appointment of an administrator where it can appoint an administrative receiver.

A moratorium is also available pursuant to Schedule A1 to the Insolvency Act for "small companies" (subject to certain exceptions and which does not affect security interests under the Financial Collateral Arrangements Regulations) that are proposing a company voluntary arrangement with creditors, which can be for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Business, Energy and Industrial Strategy may, by order, extend or reduce the duration of either period). A company voluntary arrangement provides a framework within which a company's directors may propose a compromise with creditors. If 75% in value present in person or by proxy vote in favor of the proposal at the creditors' meeting, it will be binding on all affected creditors (see further below in relation to secured creditors). Small companies are those which meet eligibility criteria as regards the number of employees, turnover and balance sheet total as set out in section 382 of the Companies Act. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Business, Energy and Industrial Strategy may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company." Accordingly, a company may, at any given time, come within the ambit of the "small companies" provisions, such that the company may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement. This moratorium is not available to companies which have entered into certain capital market arrangements (whereby the company has incurred or is expected to incur a debt of at least £10 million and the arrangement involves the issue of a capital market investment) as detailed in Schedule A1 to the Insolvency Act. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State for Business, Energy and Industrial Strategy may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. Further, a company voluntary arrangement itself cannot bind secured creditors without their permission. However, if the small companies' moratorium were to apply to the company, its effects would include prohibitions on enforcement of security that are similar to those that arise upon an administration moratorium. Therefore, to the extent the small companies' moratorium applies, there would be a moratorium on legal proceedings and execution or other legal process being commenced or continued and the levy of distress, against the company or its property (except with the permission of the court). No other steps may be taken to enforce any security over the company's property except with the permission of the court. The company may dispose of charged property if the holder of the security consents or the court gives permission. Further, the company may not make any payment or disposal of its own property unless there are reasonable grounds for believing that the disposal will benefit the company and the payment or disposal is approved by the committee (if established) or, where there is no such committee, by the nominee of the company voluntary arrangement.

Liquidation

Liquidation is a procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. At the end of the liquidation process the company will be dissolved. A liquidator has the power to bring or defend legal proceedings on behalf of the company; to carry on the business of the company as far as it is necessary for its beneficial winding up; to sell the company's property and execute documents in the name of the company, and to challenge antecedent transactions.

In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected). In proceedings where the company or its directors has resolved to place the company into liquidation, the liquidator (or creditor or shareholder) can apply to the court for an order that no proceedings or other actions may be commenced or continued against the company.

Dispositions in Winding-up

Under section 127 of the Insolvency Act, any dispositions of a company's property made after a winding-up has commenced are, unless the court orders otherwise, void. The compulsory winding-up of a company by the court is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date on which the court makes the winding-up order (if any), other than in limited circumstances. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

Priority of Claims

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract pursuant to which all the obligations have been performed nor can it be used to disturb accrued rights and liabilities. The power also does not apply to "any financial collateral arrangement" under the Financial Collateral Arrangement Regulations.

Under English insolvency laws, the liabilities of the English Guarantor under its guarantee would be paid only after certain of its other debts which are entitled to priority under English law, as set out below.

The general priority of claims on insolvency is as follows (in descending order of priority):

- First-ranking claims: holders of fixed charge security and creditors with a proprietary interest in assets of the debtor;
- Second-ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);
- Third-ranking claims: preferential creditors and the Prescribed Part (as defined below). Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date. As between one another, preferential debts rank equally;
- Fourth-ranking claims: the Prescribed Part (as defined below);
- Fifth-ranking claims: holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured;
- Sixth-ranking claims: unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the officeholder can only use realization from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors;
- Seventh-ranking claims: post insolvency interest on debts;
- Eighth-ranking claims: deferred creditors;
- Ninth-ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

An administrator, receiver (including an administrative receiver) or liquidator of the company will be required to ring fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (the "**Prescribed Part**"). Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The obligation on such insolvency officeholder to set aside the Prescribed Part for unsecured parties does not apply if the net floating charge realizations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The Prescribed Part will apply to all floating charges created on or after September 15, 2003 regardless of whether they fall within one of

the exceptions in the Insolvency Act, as amended by the Enterprise Act 2002, to the prohibition on the appointment of administrative receivers. Further, the Prescribed Part does not apply to any charge created or otherwise arising under "a financial collateral arrangement" pursuant to the Financial Collateral Arrangements Regulations.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than British Pounds must be converted into British Pounds at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines.

Schemes of Arrangement

Although not an insolvency process per se, pursuant to Part 26 of the Companies Act, the English courts have jurisdiction to sanction the compromise of a company's liabilities where such company (i) is liable to be wound-up under the Insolvency Act and (ii) has "sufficient connection" to the English jurisdiction.

In practice, in addition to applying to English companies, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied by the English courts where, among other things, the company has assets situated in England, the company's center of main interests is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. The law in this area is being closely considered by the English courts and the fact that the second limb has been found to be satisfied in such cases previously does not necessarily mean that this will be satisfied in all such cases as each case will be considered on its particular facts and circumstances.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on a detailed debt compromise. Such compromise can be proposed by the company or its creditors. If a majority in number representing 75% in value of those creditors or class of creditors present and voting (in person or by proxy) at the creditor meeting(s) vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. The scheme then needs to be sanctioned by the court at a sanction hearing where the court will review the fairness of the scheme and consider whether it is reasonable. The court has the discretion as to whether to sanction the scheme as approved, make an order conditional upon modifications being made to the scheme, or reject the scheme.

France

Marcolin France is incorporated under the laws of France and, to the extent that the center of main interests of Marcolin France is deemed to be in France, it would be subject to French proceedings affecting creditors, including court-assisted proceedings (*mandat ad hoc* or *conciliation* proceedings) and court-administered proceedings being either safeguard proceedings, accelerated safeguard proceedings or accelerated financial safeguard proceedings (*sauvegarde*, *sauvegarde accélérée* or *sauvegarde financière accélérée*), judicial reorganization proceedings (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors. Consequently, the commencement of insolvency proceedings at the level of a company which has provided security and/or a guarantee in respect of the Notes may limit the ability of holders of the Notes to enforce a guarantee and/or security granted by such company in relation to the Notes. Under the E.U. Insolvency Regulation, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over its main insolvency proceedings if its center of main interests is situated in France.. In the case of a debtor which is a legal person, the place of the registered office shall be presumed to be its center of main interests in the absence of proof to the contrary. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

Please note that a reform of the French Civil Code was introduced by Ordinance n° 2016-131 dated February 10, 2016 and has been effective since October 1, 2016. Absent any practical application yet, the potential impacts of

certain provisions of such reform (such as the doctrine of hardship (*imprévision*)) on the rights of the parties to contracts entered into as from such date are being discussed among certain academics notably within the context of insolvency proceedings.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes in this respect.

Grace periods

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1343-5-*et seq*. of the French *Code Civil*).

Pursuant to the provisions of this article, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account the debtor's financial position and the creditor's needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published twice a year by administrative decree of the French Ministry of Economy) or that payments made shall first be allocated to repayment of principal. A court order made under Article 1343-5 *et seq.* of the French *Code Civil* will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the grace periods ordered by the relevant judge.

When the debtor benefits from the opening of conciliation proceedings, these provisions shall be read in combination with Article L. 611-7 of the French Commercial Code.

Additionally, pursuant to Article L. 611-10-1 of the French *Code de Commerce*, the judge having commenced conciliation proceedings may, during the execution period of a conciliation agreement, impose grace periods on creditors having participated in the conciliation proceedings (other than the tax and social security administrations) for their claims that were not dealt with in the conciliation agreement.

Insolvency test

Under French law, a debtor is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its due debts with its immediately available assets (*actif disponible*) taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see "*Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—The "hardening period" (période suspecte) in juridical reorganization and liquidation proceedings*" below).

Court-assisted proceedings

A French debtor facing difficulties may in certain conditions request the commencement of court-assisted proceedings (*mandat ad hoc* or *conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders e.g. an agreement to reduce or reschedule its indebtedness.

Mandat ad hoc proceedings may only be initiated by the debtor itself, in its sole discretion. In practice, *mandat ad hoc* proceedings are used by debtors that are facing any type of difficulties but are not insolvent (see *"Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—Insolvency Test"* above). The proceedings are informal and confidential (save for their disclosure to statutory auditors if any) by law. They are carried out under the aegis of a court-appointed officer (*mandataire ad hoc*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings are not limited in time. The duties of the *mandataire ad hoc* are determined by the competent court (usually the commercial court) that

appoints him or her, usually to facilitate negotiations with creditors. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Mandat ad hoc* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for the time of the discussions. In any event, the debtor retains the right to petition the relevant judge for a grace period under Article 1343-5 *et seq* of the French *Code Civil* (see "*Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—Grace Periods*" above). The agreement reached is reported to the president of the court but is not formally approved by it. The order of the president of the court appointing a *mandataire ad hoc* is notified for information purposes to the debtor's auditors.

Conciliation proceedings may only be initiated by the debtor itself if it faces actual or foreseeable difficulties of a legal, economic or financial nature and is not insolvent (see "*Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—Insolvency Test*" above) or has not been insolvent for more than 45 calendar days. The proceedings are confidential by law. They are carried out under the aegis of a court-appointed conciliator (*conciliateur*), whose name may be suggested by the debtor itself, under the supervision of the president of the court. The proceedings may last up to four months (with the *conciliateur* being able to request a one month extension). The duties of the *conciliateur* are to assist the debtor in negotiating an agreement with all or part of its creditors and/or trade partners that puts an end to its difficulties, e.g. providing for the restructuring of its indebtedness. Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis: those creditors not willing to take part cannot be bound by the agreement nor forced to accept it. *Conciliation* proceedings do not automatically stay any pending proceedings and creditors are not barred from taking legal action against the debtor to recover their claims but those that have accepted to take part in the proceedings usually accept not to do so for the time of the discussions. In any event, the debtor retains the right to petition the judge which commenced the conciliation proceedings for a grace period under Article 1343-5 *et seq* of the French *Code Civil* (see "*Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—Grace Periods*" above), such decision being taken after hearing the *conciliateur*.

The conciliation agreement reached between the parties may be acknowledged (*constaté*) by the president of the Commercial Court at the request of the parties, which makes the agreement binding upon them (in particular, performance of the conciliation agreement prevents any action by the creditors party thereto against the debtor to obtain payment of claims governed by the conciliation agreement) and enforceable without further recourse to a judge (*force exécutoire*), but the conciliation proceedings remain confidential.

Alternatively, the conciliation agreement may be approved (*homologué*) by the Commercial Court at the request of the debtor, if (i) the debtor is not cash-flow insolvent or the conciliation agreement has the effect of putting an end to the debtor's cash-flow insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. Such approval will have the same effect as its acknowledgement (*constatation*) as described above, except that in addition:

- creditors that, in the context of the conciliation proceedings, provide new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity in the context of a capital increase) will enjoy a priority of payment over all pre-commencement and post-commencement claims (except with respect to certain pre-commencement employment claims and procedural costs) (the "**New Money Lien**"), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings;
- in the event of subsequent safeguard proceedings, judicial reorganization or judicial liquidation proceedings, the court may not reschedule the payment date of the claims benefiting from the New Money Lien nor write off those claims without their holders' consent even within the framework of creditors' committees, although a doubt may arise as to the application of such provision within the bondholders' general meeting;
- the works council or employee representatives are informed of the content of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the Court. The publicly available Court decision approving such agreement should however only disclose

the amount of any New Money Lien and the guarantees and security interests granted to secure the same;

- when the debtor is submitted to statutory auditing, the conciliation agreement is transmitted to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency (see "*Limitations on Validity and Enforcement of the Guarantees and the Security Interests and Certain Insolvency Law Considerations—Certain Insolvency Law Considerations—France—Insolvency test*" above), and therefore the starting date of the hardening period (as defined below; see "*—The "hardening period" (période suspecte) in judicial reorganization and liquidation proceedings*"), cannot be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement by the court (except in case of fraud).

Whether the conciliation agreement is acknowledged or approved, the court may, at the request of the debtor, appoint the *conciliateur* to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution and, while the agreement is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded;
- the debtor retains the right to petition the court that commenced the conciliation proceedings for a grace period pursuant to Article 1343-5 *et seq*. of the French *Code Civil* (see "*—Grace periods*" above), in relation to claims of creditors (other than public creditors) party to the conciliation proceedings that are not already subject to the conciliation agreement, in which case the decision would be taken after having heard the *conciliateur* (provided that the terms of his or her appointment included monitoring the implementation of the agreement, as referred to above); and
- a third party which had previously granted credit support (a guarantee or security interest) with respect to the debtor's obligations may benefit from the provisions of the conciliation agreement as well as from grace periods granted in the context of conciliation proceedings.

If the debtor breaches the terms of the conciliation agreement, any party to it may petition the president of the court for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceedings may be revoked. Conversely, provided the conciliation agreement is duly performed, any individual proceedings by creditors with respect to obtaining payment of the claims dealt with by the conciliation agreement are suspended and/or forbidden. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims (decreased by the payments already received) and pre-existing security interests or guarantees.

Conciliation proceedings in which a draft plan is supported by a large majority of creditors which is likely to meet the threshold requirements for creditors' consent in safeguard, will be a mandatory preliminary step of accelerated safeguard proceedings or accelerated financial safeguard proceedings, as described below. At the request of the debtor and after the creditors taking part in the conciliation proceedings have been consulted on the matter, *mandat ad hoc* and conciliation proceedings may also be used to organize the partial or total sale of the debtor, in particular through a "plan for the disposal of the business" (*plan de cession*) which could be implemented in the context of subsequent safeguard, judicial reorganization or liquidation proceedings. Provided that they comply with certain requirements, any offers received in this context by the *mandataire ad hoc* or the *conciliateur* may be directly considered by the court in the context of safeguard, reorganization or liquidation proceedings after consultation of the State Prosecutor.

As a matter of law, any contractual provision that (i) modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to this end or (ii) requires the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, is deemed null and void.

Court-administered Proceedings—Safeguard

A debtor which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procédure de sauvegarde*) with respect to itself, *provided* that it is not insolvent

(see "—*Insolvency test*" above). Creditors of the debtor are not notified of, nor invited to attend the hearing before the court at which the commencement of safeguard proceedings is requested. Following the commencement of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is (except for small companies where the court considers that such appointment is not necessary) appointed to investigate the business of the debtor during an "observation period" (being the period starting on the date of the court decision commencing the proceedings and ending on the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months. The role of the court-appointed administrator is also to assist the debtor in preparing a draft safeguard plan (*projet de plan de sauvegarde*) that it will circularize to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator. The court-appointed administrator will, in accordance with the terms of the judgment appointing him or her, exercise *ex post facto* control over decisions made by the debtor ("*mission de surveillance*") or assist the debtor to make all or some of the management decisions ("*mission d'assistance*"), all under the supervision of the court.

In addition, the court may convert such proceedings into judicial reorganization proceedings (i) after commencement of the proceedings, at the request of the debtor, the administrator, the creditors' representative or the State Prosecutor, if it appears that the debtor was insolvent (*en état de cessation des paiements*) before commencement of the proceedings or (ii) at any time during the observation period upon its own initiative or upon request of the debtor, the judicial administrator, the creditors' representative or the State Prosecutor in the case where the debtor is insolvent or (iii) upon request of the debtor, the administrator, the creditors' representative or the State Prosecutor in case no plan has been adopted by the relevant creditors' committee and, if any, bondholders' assembly (as described below), if the approval of a safeguard plan is manifestly impossible and if the company would shortly become insolvent should safeguard proceedings end. At any time during the observation period, the court may also convert such proceedings into liquidation proceedings if the debtor is insolvent and its recovery is manifestly impossible.

As soon as insolvency proceedings are commenced, any unpaid amount of share capital of the debtor becomes immediately due and payable.

During the safeguard proceedings, payment by the debtor of (i) any debts incurred prior to the commencement of the proceedings and (ii) debts incurred after the opening judgment of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered/goods delivered to the debtor is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*).

Creditors must be consulted on the manner in which the debtor's liabilities will be settled under the safeguard plan (debt forgiveness, payment terms or debt-for-equity-swaps) prior to the plan being approved by the court. The rules governing consultation will vary depending on the size of the business.

Standard consultation: this applies to creditors of debtors for which creditors' committees have not been constituted (such constitution being mandatory as described below).

In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed. Creditors are consulted individually or collectively.

French law does not state whether the debt settlement proposals can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at this consultation stage. According to legal commentaries and established practice, differing treatment as between creditors is possible, *provided* that it is justified by the difference in situation of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible at the consultation stage to make a proposal for a partial payment of claims over a shorter time period instead of a full payment of such claims over the maximum possible length of the plan (ten years).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not required to be consulted.

Creditors which do not respond within 30 days of their receipt of the debt settlement proposal (other than debt-for-equity-swap) made to them are deemed to have accepted it. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the court-appointed administrator and the controllers.

Within the framework of a standard consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the safeguard plan (*plan de sauvegarde*) can impose on them a uniform rescheduling of their claims (subject to specific regimes such as claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates of more than the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor's individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment adopting the plan (in the third and subsequent years, the amount of each annual instalment must be of at least 5% of the amount of each debt claim (except for agricultural businesses)) or on the first payment date following the initial maturity of the claim if it is later than the first payment date provided for by the plan, in which case the amount of such first payment is equal to what the creditor would have received had he been paid in accordance with the uniform payment rescheduling applying to the other creditors.

Committee-based consultation: This applies to large companies, whose accounts are certified by a statutory auditor (*commissaire aux comptes)* or established by a chartered-accountant (*expert-comptable)* and with more than 150 employees or a turnover greater than €20 million), or upon the debtor's or the administrator's request and with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds.

The consultation involves the submission of a proposed safeguard plan for consideration by two creditors' committees which are established by the court-appointed administrator on the basis of the claims that arose prior to the judgment commencing the proceedings:

- one for credit institutions or assimilated institutions and entities having granted credit or advances in favor of the debtor (the "credit institutions committee"); and
- the other one for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator (the "major suppliers committee").

If there are any outstanding debt securities in the form of *obligations* (such as bonds or notes and including capital market debt instruments such as the Notes), a single general meeting of all holders of such debt securities will be established (the "bondholders general meeting"), in which all such holders are to take part irrespective of whether or not there are different issuances or of the governing law(s) of those *obligations*.

As a general matter, only the legal owner of the debt claim will be invited onto the committee. Accordingly, a person holding only an economic interest therein will not itself be a member of the committee.

There are debates as to whether the Security Agent as creditor of the Parallel Debt under the Intercreditor Agreement would vote in the creditors' committee and whether the holders of the Notes would directly vote within the bondholders' general meeting.

The proposed plan:

- must "take into account" subordination agreements entered into by the creditors before the commencement of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off against their claims against the debtor (as reduced according to the provisions of the plan, where applicable).

Creditors which are members of the credit institutions committee or of the major suppliers committee may also prepare an alternative safeguard plan that will also be put to the vote of the committees and of the general bondholders meeting, it being specified that approval of any such alternative plan is subject to the same two-thirds majority vote in each committee and in the bondholders general meeting and gives rise to a report by the court-appointed administrator (*administrateur judiciaire*)). Bondholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within 20 to 30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee (two-thirds of the outstanding claims of the creditors casting a vote).

Each member of a creditors committee or of the bondholders general meeting must, if applicable, inform the court-appointed administrator of the existence of any agreement relating to (i) the exercise of its vote or (ii) the full or total payment of its claim by a third party as well as of any subordination agreement. The court-appointed administrator shall then submit to such person a proposal for the computation of its voting rights in the creditors committee/bondholders general meeting. In the event of disagreement, the matter may be ruled upon by the president of the Commercial Court in summary proceedings at the request of the creditor or of the court-appointed administrator.

The amounts of claims secured by a trust (*fiducie*) granted by the debtor do not give rise to voting rights. In addition, creditors whose repayment schedule is not modified by the plan, or for which the plan provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted, do not need to be consulted on the plan nor take part in the vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the bondholders general meeting, and determination of the rescheduling of the claims of creditors that are not members of the committees or bondholders, the plan has to be approved (*arrêté*) by the court. The court must verify that the interests of all creditors are "sufficiently protected" and that required shareholder consent (if applicable) has been obtained. Once so approved by the relevant court, the safeguard plan will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan).

Creditors outside the creditors' committees or the bondholders general meeting are consulted in accordance with the standard consultation process referred to above.

If the debtor's proposed plan is not approved by both committees and the bondholders general meeting within the first six months of the observation period (either because they do not vote on the plan or because they reject it), this six month period may be extended by the court at the request of the court-appointed administrator for a period not exceeding the duration of the observation period, in order for the plan to be approved through the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan within the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable for the standard consultation process described above.

If the plan provides for a share capital modification or an amendment to the articles of association, the shareholders' general meeting must approve this modification. The court may decide that the shareholders' general meeting shall vote on first convening at a simple majority (of the votes of the shareholders attending, or represented at, the meeting or represented at the meeting, provided that said shareholders hold at least half of the shares with voting rights). On second convening, the general statutory provisions relating to the quorum and majority requirements shall apply.

If no proposed safeguard plan whatsoever is adopted by the committees and, if applicable, the general bondholders meeting, at the request of the debtor, the court-appointed administrator, the *mandataire judiciaire* or the State Prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

Specific case—Creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt remissions under conditions that are similar to those that would be granted under normal market conditions by a private economic operator placed in a similar position. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors examine possible remissions within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

Court-administered Proceedings—Accelerated Safeguard and Accelerated Financial Safeguard

A debtor which is the subject of conciliation proceedings may request the commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to "fast-track" difficulties faced by large companies, i.e. those:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French *Code de Commerce*; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees or (ii) a turnover greater than €3 million (excluding VAT) or (iii) whose total balance sheet exceeds €1.5 million.

The regime applicable to standard safeguard proceedings regime is broadly applicable to accelerated safeguard or accelerated financial safeguard proceedings, to the extent compatible with the accelerated timing, since the total duration of accelerated safeguard proceedings is three months and the duration of accelerated financial safeguard proceedings is only one month (unless the court decides to extend it by an additional month). However, certain provisions relating to ongoing contracts and provisions relating to the recovery of assets by owners benefiting from title retention clauses do not apply in accelerated safeguard proceedings.

In particular, the creditors committees and the bondholders general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being notified to them in the case of accelerated safeguard proceedings, or within eight days in the case of accelerated financial safeguard proceedings.

The plan in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital of the debtor (debt-for-equity swaps requiring relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

While accelerated safeguard proceedings apply to all creditors, accelerated financial safeguard proceedings apply only to "financial creditors" (i.e., creditors that belong to the credit institutions committee and bondholders general meeting), the payment of whose debt is suspended until adoption of a plan through accelerated financial safeguard proceedings. The debtor will be prohibited from paying any amounts (including interest) relating to debts incurred prior to the commencement of the proceedings and debts incurred after the opening judgment of the proceedings if not incurred for the purposes of the proceedings or the observation period or in consideration of services rendered or goods delivered to the debtor, to any creditor to whom the accelerated safeguard or accelerated financial safeguard proceedings (as the case may be) apply. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfil the following conditions:

- the debtor must not be cash-flow insolvent for more than 45 days when it initially requested the opening of conciliation;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of the proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome;
- the debtor must exceed the thresholds provided for to constitute creditors' committee (see above) or the court shall have authorized such constitution in the opening decision; and
- the debtor must have prepared a draft safeguard plan ensuring the continuation of its business as a going concern which is supported by enough of its creditors involved in the proceedings to render likely its adoption by the relevant committees (credit institutions' committee only for financial

accelerated safeguard proceedings) and bondholders general assembly, if any, within a maximum of three months following the commencement of accelerated safeguard proceedings, or within a maximum of up to two months following the commencement of accelerated financial safeguard proceedings.

If a plan is not adopted by the creditors and approved by the court within the applicable deadline, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceedings certified by the statutory auditor shall be deemed to constitute the filing of such claims for the purpose of accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings (see below) unless the creditors otherwise elect to make such a filing (see below).

Judicial Reorganization or Liquidation Proceedings

Judicial reorganization (*redressement judiciaire*) or liquidation (*liquidation judiciaire*) proceedings may be initiated against or by a debtor only if it is insolvent and, in the case of liquidation proceedings only, if the debtor's recovery is manifestly impossible. The debtor is required to petition for judicial reorganization or liquidation proceedings (or for conciliation proceedings, as discussed above) within 45 days of becoming insolvent; *de jure* managers (including directors) and, as the case may be, *de facto* managers are exposed to civil liability if it fails to do so.

Where the debtor requested the commencement of judicial reorganization proceedings and the court, after having heard the debtor, considers that judicial liquidation proceedings would be more appropriate, it may order the commencement of the proceedings which it determines to be most appropriate. The same would apply if the debtor requested the commencement of judicial liquidation proceedings and the court considered that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*) or the State Prosecutor, the court may convert safeguard proceedings into judicial reorganization proceedings or liquidation proceedings if it appears that the debtor was already insolvent at the time of the court decision opening the proceedings. In all cases, the court's decision is only taken after having heard the debtor, the court-appointed administrator, the creditors' representative, the State Prosecutor and the workers' representatives (if any).

In the event of judicial reorganization, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the debtor during an observation period, which may last up to 18 months, and make proposals either for the reorganization of the debtor (by helping the debtor to elaborate a reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the debtor. The court-appointed administrator will assist the debtor in making management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the debtor (*mission d'administration*).

Committees of creditors and a bondholders general meeting may be created in judicial reorganization proceedings under the same conditions as in safeguard proceedings (see above). At any time during the observation period, the court can, at the request of the debtor, the court-appointed administrator, the creditors' representative (*mandataire judiciaire*), the state prosecutor or at its own initiative, order the partial stop of the activity (*cessation partielle de l'activité*) or order the liquidation of the debtor if its recovery is manifestly impossible. At the end of the observation period, the outcome of the proceedings is decided by the court.

In judicial reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French *Code de Commerce*, the administrator may appoint a trustee (*mandataire de justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favor of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the reorganization plan.

If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court, upon the request of the court-appointed administrator, can order the total or partial transfer of the business.

In judicial reorganization proceedings if (i) the company has at least 150 employees, or if it controls (within the meaning of the French Labor Code) one or more companies having together at least 150 employees, (ii) the disappearance of the company is likely to cause serious harm to the national or regional economy and (iii) the modification of the company's share capital seems to be the only credible way to avoid harm to the national or regional economy and allows the continued operation of the business as a going concern, then following (x) the review of the options for a total or partial sale of the business and at the request of the court-appointed administrator or of the State Prosecutor and (y) at least 3 months having elapsed as from the court decision commencing the proceedings, provided that the shareholders meetings required to approve the modification of the company's share capital required for adoption of the reorganization plan have refused such modification, the insolvency court may either:

- appoint a court officer (*mandataire*) in order to convene the shareholders meeting and vote the share capital increase in lieu of the shareholders having refused to do so, up to the amount provided for in the reorganization plan; or
- order, in favor of the persons who have undertaken to perform the reorganization plan, the sale of all or part of the share capital held by the shareholders having refused the share capital increase and holding, directly or indirectly a portion of the share capital providing them with a majority of the voting rights (including as a result of an agreement with other shareholders) or a blocking minority in the company's shareholder meetings; the minority shareholders have the right to withdraw from the company and request that their shares be purchased by the transferees.

In the event of a sale ordered by the court, the price of the shares shall, failing agreement between the parties, be set by an expert designated by the court in summary proceedings.

In either of the above cases, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). The liquidator will take over the management and control of the debtor and the managers of the debtor are no longer in charge of its management.

There is no observation period in judicial liquidation proceedings. Concerning the liquidation of the assets of the debtor, there are two possible outcomes:

- an asset sale plan (in which case a court-appointed administrator (*administrateur judiciaire*) will usually be appointed to manage the debtor and organize such sale of the business); or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales (*vente aux enchères* (or *adjudication amiable* for real estate assets only));
  - sell on an amicable basis (*vente de gré à gré*) each asset for which spontaneous purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or
  - in practice, request, under the supervision of the bankruptcy judge, all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*). However the possibility to implement such process is questioned by certain legal authors and case-law in this respect has varied.

The court will end the proceedings when either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to insufficiency of assets (*insuffisance d'actif*).

The court may also terminate the proceedings:

- when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets;

- in the event where there are insufficient funds to pay off the creditors, by appointing a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

The "hardening period" (période suspecte) in judicial reorganization and liquidation proceedings

The date of insolvency (*cessation des paiements*) of a debtor is deemed to be the date of the court order commencing the proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Additionally, except in the case of fraud, the insolvency date may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see above). The insolvency date is important because it marks the beginning of the hardening period (*période suspecte*), being the period from the insolvency date of the debtor to the court decision commencing the judicial reorganization or liquidation proceedings affecting it.

Certain transactions entered into during the hardening period are automatically void or voidable by the court.

- Automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration or for a nominal consideration, contracts under which the obligations of the debtor significantly exceed the reciprocal obligations of the other party, payments of debts not due at the time of payment, payments of debts that are due made in a manner which is not commonly used in the ordinary course of business and security granted for previously incurred obligations, provisional attachment or seizure measures (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for a debt simultaneously incurred), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as security for debt incurred prior to such amendment, and notarized declarations of exemption of assets from seizure (*déclaration d'insaisissabilité*).
- Transactions which are voidable by the court include payments made on debts that are due, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew that the debtor was insolvent at the relevant time. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period. Unlike automatically void transactions, which must be set aside by the court if so requested, the court has discretion to decide whether or not it is appropriate to set aside transactions that are only "voidable".

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings.

Extension of insolvency proceedings

French law provides that, upon the petition of the debtor, the Public Prosecutor, the judicial administrator, the liquidator or the creditors' representative, the insolvency proceedings of a company may be extended to another one, so that their respective assets and liabilities will be treated as belonging to one single insolvency estate, if (i) the debtor company is deemed "fictitious", i.e. a sham, or (ii) the debtor company "commingled its assets and liabilities" with such other entity, i.e. either it proves impossible to determine which assets and liabilities belong to each of them or "abnormal financial relationships" existed between the two entities (such as transfers of assets or funds without consideration).

Status of Creditors during Safeguard, Accelerated Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the commencement of the proceedings triggers the acceleration of the debt (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. Nor are "*contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings*" (in accordance with a decision of the French Supreme Court dated January 14, 2014, n° 12-22.909, which case law is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard

proceedings). However, the court-appointed administrator can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. Conversely, the court-appointed administrator can require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-commencement contractual obligations (and provided that, in the case of reorganization proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (*plan de cession*) (which it may do for a period of three months, renewable once); in such case, the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year (however, accrued interest can no longer be compounded (despite Article 1343-2 of the French *Code Civil*));
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the set-off of related (*connexes*) debts and payments authorized by the insolvency judge (*juge commissaire*) to recover assets for which recovery is justified by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after the commencement of the proceedings unless they were incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/goods provided to the debtor;
- debts duly arising after the commencement of the proceedings and which were incurred for the purposes of the proceedings or of the observation period, or in consideration of services rendered/goods provided to the debtor during this period, must be paid as and when they fall due and, if not, will be given priority over debts incurred prior to the commencement of the proceedings (with certain limited exceptions, such as claims secured by a New Money Lien), provided that they are duly filed within one year of the expiry of the observation period;
- creditors may not initiate nor pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
    - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
    - to terminate a contract for non-payment of amounts owed by the creditor; or
    - to enforce the creditor's rights against any assets of the debtor except (i) in judicial liquidation proceedings, by way of judicial foreclosure (*attribution judiciaire*) of the pledged assets or (ii) where such asset- whether tangible or intangible, movable or immovable-is located in another Member State within the European Union, in which case the rights *in rem* of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 5 EU Insolvency Regulation (provided no secondary proceedings are commenced in such member state). Similarly, the rights of a creditor on the debtor's assets located outside of France and the EU would only be affected by the French insolvency proceedings if they were to be recognized by the local courts where the assets at stake are located (unless provided otherwise in a treaty to which France is a party).
- in the context of reorganization or liquidation proceedings only, absent consent to other terms of payment, immediate cash payment (*paiement au comptant*) for services rendered pursuant to an ongoing contract (*contrat en cours*), will be required.

In accelerated safeguard or accelerated financial safeguard proceedings, the above rules only apply to the creditors that fall within the scope of the proceedings.

As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a claim with the court-appointed creditors' representative within two months of the publication of the

court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside France. Creditors must also file a claim for the post-commencement non-privileged debts, with respect to which the two or four month period referred to above starts to run as from their maturity date. Creditors whose claims have not been submitted during the relevant period are, except for limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferred creditors under French law.

At the beginning of the proceedings, the debtor must provide the judicial administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proofs of claim.

In accelerated safeguard and accelerated financial safeguard proceedings however, the debtor draws a list of the claims of its creditors having taken part in the conciliation proceedings, which is certified by its statutory auditors or accountant. Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust if necessary the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Creditors that did not take part in the conciliation proceedings must file their proofs of claim within the aforementioned deadlines.

In accelerated financial safeguard proceedings, debts owed to creditors other than banks, financial institutions or bondholders continue to be payable in the ordinary course.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan.

If the court adopts a plan for the sale of the business (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator (usually the former creditor's representative) in charge of selling the assets of the debtor and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, the court will usually appoint a court-appointed administrator to manage the debtor during the temporary continuation of the business operations (see above) and to organize the sale of the business process.

If the court adopts a plan for the sale of the business, it can also set a time period during which the assets that it deems to be essential to the continuation of the business of the debtor may not be sold without its consent.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-commencement legal costs (essentially, court officials fees), creditors who benefit from a New Money Lien (see above), post-commencement privileged creditors and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. Some creditors may nevertheless bypass this order of priority, e.g. if they benefit from a retention right over certain assets.

Creditors' Liability

Pursuant to Article L. 650-1 of the French *Code de Commerce* (as interpreted by case law), where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor, if the granting of such facilities was wrongful, in the case of (i) fraud, (ii) interference with the management of the debtor or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court.

Germany

The German Guarantor is organized under the laws of Germany and has its registered office in Germany. Consequently, any insolvency proceedings with regard to the German Guarantor are likely to be initiated in

Germany and, if the German Guarantor was held to have its center of main interests within the territory of Germany at the time the application for the opening of the insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors' claims, the ability to obtain post- petition interest and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. A draft act to facilitate the mastering of group insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*) is under discussion in Germany. However, according to this draft act it is mainly intended to provide for coordination of and cooperation between insolvency proceedings of group companies. The draft act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. In case a debtor incorporated or established as a German limited liability company (*Gesellschaft mit beschränkter Haftung*), a German stock corporation (*Aktiengesellschaft*) a European law stock corporation (*Societas Europaea, or SE*) or any other corporation or partnership not having an individual as a personally liable shareholder, insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*) of the debtor, i.e., when the debtor is unable to pay its debts as and when they fall due. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted if its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business as a going concern is predominantly likely (*überwiegend wahrscheinlich*). a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder becomes illiquid and/or over-indebted, the management of such company and, in certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, i.e., illiquidity and/or over-indebtedness, occurred. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over-indebtedness occurred, any payments, including any payments under the Notes, are voidable. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings if the debtor is likely to not be able to pay its debts as and when they fall due.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken

to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will generally also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)provided that no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on a petition for debtor-in-possession status, or on the profile of the (preliminary) insolvency administrator to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible: i.e., not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it may comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of the formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*)usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor-in-possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder, i.e. sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the German Guarantor or any of its relevant subsidiaries that are subject to the German insolvency regime would be the following:

- the right to administer and dispose of the assets of the German Guarantor or any of its relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless the court orders debtor-in-possession status (*Eigenverwaltung*);
- if the court does not order debtor-in-possession status (*Eigenverwaltung*) with respect to the German Guarantor or any of its relevant subsidiaries, disposals effected by the management of the German Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;

- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the German Guarantor's or any of its relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against the German Guarantor or any of its relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- any person that has a right for separation (*Aussonderungsrecht*) (*i.e.*, the relevant asset of this person does not constitute part of the insolvency estate) does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator. All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), who wish to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any moveable assets in his/the debtor's possession which are subject to preferential rights (e.g. liens over movable assets (*Mobiliarsicherungsrechte*), security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*).

In case the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add-up to 9% of the gross enforcement proceeds plus VAT (if any) and are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor, the insolvency administrator has to satisfy the creditors of the insolvency estate (*Massegläubiger*) first (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a *pro rata* basis if and to the extent there is value remaining in the insolvency estate (*Insolvenzmasse*) after the security interests and the preferential claims against the estate have been settled and paid in full.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator may have to compensate the creditor for any loss of value resulting from such use.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the repayment of loans or similar claims), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings (*Massegläubiger*) generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date the insolvency proceedings were opened. The following claims of subordinated creditors shall be satisfied ranking below the other claims of insolvency creditors in the order given herein, and in proportion to their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims on the debtor's gratuitous performance of a consideration; and (v) claims for the restitution of shareholder loans (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings, the value of the German Guarantor's or any of its relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the German Guarantor or any of its relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, e.g., they can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.,* imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to submit an insolvency plan for the debtor business before it opens insolvency proceedings (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a preliminary custodian (*vorläufiger Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Pledges

Under German law, a pledge may only be validly created in favor of the creditor(s) of the secured claims and the pledgor will need to notify the relevant debtor of a pledged claim (or, alternatively, the company of pledged shares in relation to the pledge of claims) of such pledge in order to create a valid pledge. Furthermore, its validity, extent and enforceability is strictly linked ("accessory") to the validity, extent and enforceability of the secured claims. In particular, a pledge may cease to exist if the claims secured by the pledge are transferred to new creditor(s) by way of novation or at a time when no amounts are outstanding under the secured claims. As a result, the security interests granted as pledges have been created in favor of the Security Agent acting in its capacity as creditor of a parallel debt. It is widely believed that a parallel debt can effectively be secured by a pledge, but there are no published court decisions on this issue. See "Parallel Debt" below.

Since German law does not generally permit for an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event, an enforcement of a share pledge governed by German law usually requires the sale of the relevant collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply for such disposal process.

Parallel debt

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee who does not itself hold the secured claim. The holders of interests in the notes from time to time will not be party to the security documents. In order to permit the holders of the notes from time to time to have a secured claim the security documents provide for the creation of a "parallel debt." Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the notes. The pledges governed by German law will directly secure the parallel debt. There are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt. Hence there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by German law and that German courts will uphold pledges granted under German law to secure parallel debt.

Hardening periods and fraudulent transfer

Under the German Insolvency Code, the insolvency administrator (or in case of debtor-in-possession proceedings, the custodian) may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and were effected prior to the opening of formal insolvency proceedings during applicable voidable periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to void transactions

can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the opening of insolvency proceedings.

In the event of insolvency proceedings based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of the Notes as well as the granting of security interests for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator under the rules of avoidance as set forth in the German Insolvency Code (*Insolvenzordnung*). In case the validity or enforceability of the Notes or any security interest in favor of the Notes is avoided successfully, the holder of the Notes may not be able to recover any amounts under the Notes or the security interests and may participate in the insolvency proceedings as unsecured creditor only. If payments have already been made under the Notes or security interests, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the holders of the Notes would only have a general unsecured claim under the Notes without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that clearly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that clearly suggest such illiquidity or filing);
- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that clearly suggest such detrimental effect);
- any legal transaction by the debtor which is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction had knowledge of the illiquidity at such time or (ii) after a petition for the opening of insolvency proceedings has been filed and the other party to the legal transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;
- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intent to prejudice the insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the transaction had knowledge of such intent at the time of such act;
- any non-gratuitous contract concluded between the debtor and an affiliated party which directly operates to the detriment of the creditors can be avoided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term 'affiliated party' includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding

comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third-party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings has been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to disadvantage the insolvency creditors if such person was aware of the debtor's imminent illiquidity and that the transaction disadvantaged the debtor's creditors. With respect to an "affiliated party", there is a general statutory presumption that such party had "knowledge".

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged—under certain circumstances—under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to avoidance rights.

Apart from the examples of an insolvency administrator voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

The German legislator is currently discussing a draft amendment concerning the statutory avoidance provisions in the German Insolvency Code (*Insolvenzordnung*). Amendments are envisaged with regards to, among others, the provisions for avoidance claims in connection with willful intent, for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims. It is also intended to privilege creditors which have obtained coverage of their claims on the basis of a valid enforcement order. It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer is organized as a joint stock company (*società per azioni* or S.p.A.) organized under the laws of the Republic of Italy and certain of the Guarantors are organized as a simplified corporation (*société par actions simplifieé*) under the laws of France, a private limited company under the laws of England or a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany.

Service of Process

None of the directors, officers and other executives of the Issuer are residents or citizens of the United States. Furthermore, substantially all of the assets of the Issuer are located outside the United States. In addition, substantially all of the directors, officers and other executives of the non-U.S. Guarantors are not residents or citizens of the United States and substantially all of the assets of the non-U.S. Guarantors are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the non-U.S. Guarantors or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the non-U.S. Guarantors have appointed, or will appoint, an agent for the service of process in New York.

It may be possible for investors to effect service of process within Italy, France and England upon those persons or the Issuer, a Guarantor or over other subsidiaries of the Issuer provided that such service of process comply with The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965.

Enforcement of Judgments in Italy

Recognition and enforcement in Italy of final judgments rendered by U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal or state securities laws, may not require retrial and will be enforceable in Italy, provided that, pursuant to Article 64 of Italian Law No. 218 of May 31,1995 *(Riforma del sistema italiano di diritto internazionale privato),* among others, the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction upon the relevant matter according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings no fundamental right of the defendant was violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of a party's failure to appear before the court, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and is not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy (*ordine pubblico*).

In addition, pursuant to Article 67 of Italian Law No. 218 of May 31,1995, if a judgment rendered by a U.S. court is not complied with, its recognition is challenged or its compulsory enforcement is necessary, then a proceeding shall be initiated before the competent Court of Appeal in the Republic of Italy to that end. The competent Court of Appeal does not consider the merits of the case but exclusively ascertains the fulfillment of all the conditions set out above.

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory, and may refuse to apply U.S. law provisions or grant some of the remedies sought *(e.g.,* punitive damages) if their application violates any Italian public policies and/or any mandatory provisions of Italian law.

Enforcement of Judgments in England

We have been advised by Latham & Watkins (London) LLP, our English counsel, that the United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters.

Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a debt for a definite sum of money;
- the U.S. judgment not contravening English public policy or the principles of the European Convention on Human Rights or the Charter of Fundamental Rights of the European Union;
- the U.S. judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- judgment is not given in proceedings brought in breach of an agreement for settlement of disputes;
- there not having been a prior inconsistent decision of an English court between the same parties;
- the party seeking enforcement providing security for costs, if ordered to do so by an English court; and
- the English enforcement proceedings being commenced within the relevant limitation period.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, there can be no assurance that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, of if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Enforcement of Judgments in France

The Issuer and certain of the Guarantors are entities organized under the laws of France with their registered offices or principal places of business in France (the "**French Entities**"). The directors, officers and other executives of the French Entities are neither residents nor citizens of the United States (the "**French Individuals**"). Furthermore, most of the assets of the French Entities or the French Individuals are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons and entities, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws within the United States. However, it may be possible for investors to effect service of process within France upon those persons or entities, provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

The following is a summary of certain legal aspects of French law regarding the enforcement of civil law claims connected with the Notes against French Entities and/or French Individuals.

The United States and France are not parties to a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate enforcement proceedings *(exequatur)* in France before the relevant civil court *(Tribunal de Grande Instance)* that has exclusive jurisdiction over such matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., *non ex parte)* proceedings if such U.S. Judgment is enforceable in the United States and if the French civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French civil court of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter because the dispute is sufficiently or substantially connected to the jurisdiction of such court (i.e., there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including fair trial rights; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to these conditions, it is well established that only final and binding foreign judicial decisions (i.e. those having *a res judicata* effect) can benefit from an exequatur under French law, that such U.S. judgment should not conflict with a French judgment or a foreign judgment that has become effective in France, and there is no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the exequatur is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French law No. 68 678 of July 26, 1968, as modified by French law No. 80 538 of July 16, 1980 and French Ordinance No. 2000 916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French data protection rules (Law No. 78 17 of January 6, 1978 on data processing, data files and individual liberties, as modified) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply foreign law designated by the applicable French rules of conflict (including the law chosen by the parties to govern their contract) if the application of such law (in the case at hand) is deemed to contravene French international public policy (as determined on a case by case basis by French courts). Furthermore, in an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French *Code Civil*, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French Individuals. Pursuant to Article 15 of the French *Code Civil*, a French national can be sued by a foreign claimant before French courts in

connection with the performance of obligations contracted by the French national in a foreign country with the foreign claimant. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to case law, the French courts' jurisdiction over French nationals is not mandatory to the extent an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. In addition, a French national may waive its rights to benefit from the provisions of Articles 14 and 15 of the French *Code Civil*, including by way of conduct by voluntarily appearing before the foreign court.

It must be noted that under Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, as regards legal actions falling within the scope of said Regulation, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French *Code Civil* may not be invoked against a person domiciled in an EU Member State. Conversely, pursuant to Article 6.2 of Regulation (EU) No. 1215/2012, the privilege granted by Article 14 of the French *Code Civil* may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU. The French Supreme Court *(Cour de cassation)* has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts should they otherwise have jurisdiction.

Enforcement of Judgments in Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of court judgments, based on civil liability other than arbitration awards, in civil and commercial matters. Therefore, a final and conclusive judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A final and conclusive judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate and review the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of a U.S. judgment by a German court is conditional upon a number of factors, including but not limited to the following:

(a) U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;

(b) the document introducing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of non-compliance with such requirement, (i) the defendant does not invoke such non-compliance or (ii) has nevertheless appeared in the proceedings;

(c) the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the applicable judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;

(d) the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of the Federal Republic of Germany *(Grundrechte).* In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;

(e) the reciprocity of enforcement of judgments is guaranteed; and

(f) the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters

obtained from U.S. federal or state courts. However, there can be no assurance that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final U.S. judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for the Issuer by Latham & Watkins (London) LLP with respect to matters of U.S. federal, New York state, English and Italian law, by TLS—Associazione Professionale di Avvocati e Commercialisti with respect to matters of Italian taxation law, by Latham & Watkins AARPI with respect to matters of French law, by Latham & Watkins LLP with respect to matters of German law, by McCarter & English LLP with respect to matters of New Jersey state law and by Stibbe N.V. with respect to matters of Dutch law.

Certain legal matters will be passed upon for the Initial Purchasers by Linklaters LLP with respect to matters of U.S. federal and New York state law, German law, English law, Dutch law and French law, Studio Legale Associato in association with Linklaters LLP with respect to matters of Italian law, and Meister Seelig & Fein LLP with respect to matters of New Jersey state law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Issuer as of and for the years ended December 31, 2013, 2014 and 2015, prepared in accordance with IFRS, have been audited by PricewaterhouseCoopers S.p.A.

PricewaterhouseCoopers S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance and registered on the special register of auditing firms maintained by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Via Monte Rosa 91, 20149, Milan, Italy.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Mr. Sergio Borgheresi, Investor Relations of the Issuer at fax, +39 0437.777158 or invrel@marcolin.com.

The Issuer is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*."

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, and the rules and regulations of the Luxembourg Stock Exchange so require, we will make available the notices to the public in a leading newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange, *www.bourse.lu*, or in written form at places indicated by announcement, to be so published as previously mentioned, or by any other means considered equivalent by the Luxembourg Stock Exchange.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, in accordance with the rules and regulations of the Luxembourg Stock Exchange.

Luxembourg Listing Information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents in English may be inspected and obtained free of charge at the offices of the Luxembourg Listing Agent during normal business hours on any weekday (excluding holidays):

- the organizational documents of the Issuer and the Guarantors;
- the bylaws of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- any annual and interim condensed consolidated financial statements or accounts of the Issuer dated subsequent to the date of this Offering Memorandum, to the extent available;
- the Indenture;
- the Security Documents (in each case, following the execution thereof); and
- the Intercreditor Agreement.

It is expected that the approval *(visa)* in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange promptly after the issuance of the Notes.

The Issuer has appointed Lucid Issuer Services Limited as Luxembourg Listing Agent, Elavon Financial Services DAC as Registrar and Transfer Agent, Elavon Financial Services DAC, UK Branch as Calculation Agent and Paying Agent, The Law Debenture Trust Corporation p.l.c., as Trustee and *Rappresentante Comune* and UniCredit Bank AG, Milan Branch, as Security Agent. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture and, if so required by the internal rules and regulations of the Luxembourg Stock Exchange, will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) or by any other means considered equivalent by the Luxembourg Stock Exchange.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the Issuer's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

Clearing Information

Application has been made for the Notes sold pursuant to both Regulation S and Rule 144A to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes sold pursuant to Regulation S in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN XS1562036704 and 156203670, respectively. The Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common code and ISIN XS1562036456 and 156203645, respectively.

Issuer Legal Information

General

The Issuer was formed as a private joint stock company (*società per azioni*) under the laws of Italy on February 8, 1983 with a duration until December 31, 2050, subject to certain amendments being made to its by-laws to extend the period of its incorporation. The Issuer's registered offices are located at Zona Industriale

Villanova, 4, 32013 Longarone (BL), Italy and it is registered under number 01774690273 with the Companies Register of Belluno (*Registro delle Imprese di Belluno*). Following the Marcolin Capital Increase we expect that the Issuer will have a fully paid-up share capital of €35,902,750, comprised of 68,287,083 shares, without par value, divided into 61,458,375 Class A shares and 6,828,708 Class B shares. See "*Principal Shareholders*" and "*Management*" for further information regarding the Issuer's shareholders, corporate governance and its management.

After giving effect to the Marcolin Capital Increase pursuant to article 2 of its articles of incorporation (*statuto*), the corporate purposes of the Issuer are to, *inter alia*: (i) study, design (for its own account), manufacturing and production, sale, distribution of eyeglasses and sunglasses, including sports glasses, eyeglasses frames and other components and semi-finished pieces in metal, plastic and any other materials; (ii) the leasing, purchase and management of businesses or business units with the same or related corporate purposes, complementary to or supporting the eyewear or optical industry; (iii) purchases of participations in other companies that carry out activities within the corporate purpose, or are otherwise complementary or related; (iv) provision of technical, production, commercial, administrative and financial services to companies within the same group or affiliates; (v) transport for its own account or for third parties. In addition, the Issuer may carry out (i) the financing, technical, commercial, industrial, financial and managerial coordination of the companies or entities in which it has a direct and/or indirect investment and (ii) the provision of services to such companies or entities. Moreover, the Issuer may carry out all commercial, industrial and financial, movable and immovable operations—excluding all financial activities and the collection of funds from the public, to the extent that they are reserved in accordance with the applicable law—as are considered necessary or useful to the achievement of its corporate purpose and to better manage its resources; finally, it may take out loans and mortgages in general and provide surety, security and all guarantees, both personal and collateral, including in favour of third parties, and acquire funds from shareholders with the obligation to repay them in compliance with the applicable law.

The Issuer has obtained or will obtain before the closing of the Offering, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The creation and issuance of the Notes will be authorized by the Issuer's Board of Directors dated prior to the closing of the Offering of the Notes.

Financial Year and Accounts

The Issuer's financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. Moreover, the Issuer prepares interim financial statements quarterly. For so long as the rules and regulations of the Luxembourg Stock Exchange require, any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of the Luxembourg Listing Agent.

Guarantor Legal Information

Marcolin USA

Following the merger of M-USA and the Viva Group's US subsidiaries into Viva, Viva, which was formed as a corporation under the laws of the State of New Jersey, United States on January 26, 1978, was reincorporated as Marcolin U.S.A. Eyewear Corp. ("**Marcolin USA**") on December 31, 2014 with an indefinite duration. Marcolin USA's registered offices are located at 820 Bear Tavern Road, West Trenton, New Jersey, 08628, United States and it is registered to do business in New Jersey under file number 0100055670 with the State of New Jersey Department of the Treasury. As of the date of this Offering Memorandum, Marcolin USA had a share capital of $121,472,262 which has been fully paid-up, comprised of 7,751 outstanding shares, with no par value.

Marcolin UK

Marcolin (UK) Limited ("**Marcolin UK**") was incorporated as a private limited company under the laws of England on March 28, 1988. Marcolin UK's registered offices are located at Griffin Court 24 32, London Road, Newbury, Berkshire, RG14 1JX, United Kingdom and it is registered under company registration number 02236133. As of the date of this Offering Memorandum, Marcolin UK had a share capital of £3,572,718 which has been fully paid up, comprised of 3,572,718 shares, with par value of £1.00 each.

Marcolin UK is a direct, wholly owned subsidiary of the Issuer.

Marcolin UK has been assigned Standard Industrial Classification code 46900 by Companies House, meaning that the kind of economic activity it undertakes is non-specialized wholesale trade.

Marcolin UK has obtained or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

Marcolin France

Marcolin France S.A.S. ("**Marcolin France**") was formed as a corporation (*société anonyme*) under the laws of the Republic of France on December 6, 1979 and was subsequently transformed into a simplified corporation (*société par actions simplifiée*) on November 29, 2008. Marcolin France has a duration until February 9, 2079. Marcolin France's registered offices are located at 45 Rue Saint Sébastien 75011 Paris, France and it is registered with the Register of Commerce and Companies (*Registre du Commerce et des Sociétés*) of Paris under number 317.857.001. As of the date of this Offering Memorandum, Marcolin France had a share capital of €1,054,452 which has been fully paid up, comprised of 702,968 shares, with par value of €1.50 each.

Marcolin France is 76.89% owned by the Issuer; the remaining 23.11% is owned by Marcolin International B.V. which is itself a direct, wholly owned subsidiary of the Issuer.

According to article 3 of its corporate charter (*statuts*), the corporate purposes of Marcolin France are to: manufacture and distribute sunglasses, prescription frames, sports glasses and related materials and products; produce, acquire, lease and make use of all manner of commercial and industrial real estate properties related to its corporate purpose; acquire, commercialize and sell intellectual property related to its activities; participate (directly and indirectly) in all transactions and in holding of participations of companies related to its corporate purposes; and all other transactions related thereto.

Marcolin France has obtained or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

Marcolin Germany

Marcolin (Deutschland) GmbH ("**Marcolin Germany**") is a company with limited liability (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany on limited liability companies. Marcolin Germany has an indefinite duration. Marcolin Germany's registered offices are located at Monreposstrasse 55, 71634 Ludwisburg, Germany and it is registered with the Commercial Register (*Handelsregister*) of Stuttgart under HRB 206688. As of the date of this Offering Memorandum, Marcolin Germany had a share capital of €300,000 which has been fully paid up, comprised of one share with par value of €300,000.

Marcolin Germany is a direct, wholly owned subsidiary of the Issuer.

According to article 2 of its articles of association (*Satzung*), the corporate purposes of Marcolin Germany are the distribution of spectacle frames, sunglasses, spectacles accessories, and other optical products, in particular the distribution of such products of the Issuer, in Germany. Marcolin Germany may further establish, acquire and lease other enterprises, acquire participations of any kind in enterprises or represent such enterprises, as well as establish branches in Germany or abroad. Marcolin Germany also may take all measures that directly or indirectly promote the corporate purposes.

Marcolin Germany has obtained or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of the Guarantee, the granting of the Collateral and performance of its obligations under the Indenture.

General

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since September 30, 2016; and
- neither the Issuer nor any of its subsidiaries has been involved in any litigation, administrative proceedings or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as the Issuer is aware, no such proceedings are pending or threatened.

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Marcolin S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of September 30, 2016 and December 31, 2015

(€ thousands)

	Notes	As of September 30, 2016	As of December 31, 2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	25,075	27,258
Intangible assets	*11*	47,915	46,043
Goodwill	*12*	285,280	288,225
Investments in subsidiaries and associates		832	1,775
Deferred tax assets		32,770	36,793
Other non-current assets		565	564
Non-current financial assets		3,772	4,461
Total non-current assets		**396,209**	**405,119**
CURRENT ASSETS			
Inventories		124,297	120,214
Trade receivables		66,938	75,226
Other current assets		14,527	15,392
Current financial assets		1,440	1,022
Cash and cash equivalents	*13*	43,328	40,382
Total current assets		**250,530**	**252,236**
TOTAL ASSETS		**646,739**	**657,355**
EQUITY			
Share capital	*14*	32,312	32,312
Additional paid-in capital		151,994	151,994
Legal reserve		4,077	4,077
Other reserves		51,873	59,018
Retained earnings (losses)		(19,447)	(16,903)
Profit (loss) for the period		4,968	(2,543)
Non controlling interests		1,931	1,969
TOTAL EQUITY		**227,708**	**229,924**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	*15*	200,687	200,626
Non-current provisions		9,084	8,703
Deferred tax liabilities		8,290	10,379
Other non-current liabilities		174	5,757
Total non-current liabilities		**218,235**	**225,465**
CURRENT LIABILITIES			
Trade payables		108,985	120,787
Current financial liabilities	*15*	62,800	58,226
Current provisions		353	423
Tax liabilities		6,246	4,375
Other current liabilities		22,412	18,155
Total current liabilities		**200,796**	**201,966**
TOTAL LIABILITIES		**419,031**	**427,431**
TOTAL LIABILITIES AND EQUITY		**646,739**	**657,355**

(The accompanying notes are an integral part of these interim condensed consolidated financial statements)

Marcolin S.p.A.
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT AND UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2016 and 2015

(€ thousands)

	Notes	For the nine months ended September 30, 2016	2015
NET REVENUES	*16*	**335,142**	**323,371**
Cost of sales	*17*	(141,983)	(133,525)
GROSS PROFIT		**193,159**	**189,846**
Distribution and marketing expenses	*18*	(148,429)	(150,419)
General and administrative expenses	*19*	(22,929)	(25,443)
Other operating income/(expenses)		1,291	3,067
OPERATING INCOME – EBIT		**23,092**	**17,051**
Financial income and costs	*20*	(14,501)	(17,556)
PROFIT (LOSS) BEFORE TAXES		**8,591**	**(505)**
Income tax expense		(3,648)	(5,291)
NET PROFIT (LOSS) FOR THE PERIOD		**4,943**	**(5,796)**
Profit (loss) attributable to:			
Owners of the parent		4,968	(5,820)
Non-controlling interests		(26)	24

(€ thousands)

	For the nine months ended September 30, 2016	2015
PROFIT (LOSS) FOR THE PERIOD	**4,943**	**(5,796)**
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(7,093)	7,408
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(7,093)**	**7,408**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**(2,150)**	**1,612**

(The accompanying notes are an integral part of these interim condensed consolidated financial statements)

Marcolin S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 30, 2016 and 2015

(€ thousands)

				Other reserves							
	Share capital	**Additional paid-in capital**	**Legal Reserve**	**S.holders deposit in s/capital**	**Translation reserve**	**Other**	**Retained earnings (losses)**	**Profit (loss) for the period**	**Capital and reserves net total**	**Non controlling interests in equity**	**Total**
December 31, 2014	**32,312**	**151,994**	**3,853**	**46,108**	**4,453**	**(114)**	**(17,086)**	**407**	**221,927**	**886**	**222,813**
Allocation of 2014 profit	—	—	224	—		—	183	(407)	—	—	—
Other movements	—	—	—	—		570	—	—	570	1,048	1,618
- Profit (loss) for the period	—	—	—	—		—	—	*(5,820)*	*(5,820)*	*24*	*(5,796)*
- Other components of comprehensive income	—	—	—	—	*7,408*	*19*	—	—	*7,427*	*(19)*	*7,408*
Total comprehensive income	—	—	—	—	7,408	19	—	(5,820)	1,607	5	1,612
September 30, 2015	**32,312**	**151,994**	**4,077**	**46,108**	**11,861**	**475**	**(16,903)**	**(5,820)**	**224,104**	**1,939**	**226,043**
December 31, 2015	**32,312**	**151,994**	**4,077**	**46,108**	**12,799**	**111**	**(16,903)**	**(2,543)**	**227,955**	**1,969**	**229,924**
Allocation of 2015 loss for the period	—	—	—	—	—	—	(2,543)	2,543	—	—	—
Other movements	—	—	—	—	—	(2)	—	—	(2)	(64)	(66)
- Profit (loss) for the period	—	—	—	—	—	—	—	*4,968*	*4,968*	*(25)*	*4,943*
- Other components of comprehensive income	—	—	—	—	*(7,144)*	—	—	—	*(7,144)*	*51*	*(7,093)*
Total comprehensive income	—	—	—	—	*(7,144)*	—	—	4,968	(2,176)	26	(2,150)
September 30, 2016	**32,312**	**151,994**	**4,077**	**46,108**	**5,655**	**109**	**(19,446)**	**4,968**	**225,777**	**1,931**	**227,708**

(The accompanying notes are an integral part of these interim condensed consolidated financial statements)

Marcolin S.p.A.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2016 and 2015

	(€ thousands)	
	For the nine months ended September 30,	
	2016	**2015**
OPERATING ACTIVITIES		
Profit (loss) for the period	*4,943*	*(5,796)*
Depreciation and amortization	9,498	7,789
Provisions	(1,724)	4,062
Income tax expense	3,648	5,291
Accrued interest expense	14,502	17,556
Adjustments to other non-cash items	(87)	(306)
Cash generated by operations	*30,780*	*28,596*
(Increase)/decrease in trade receivables	9,554	(9,388)
(Increase)/decrease in other receivables	450	153
(Increase)/decrease in inventories	(1,665)	(12,092)
(Decrease)/increase in trade payables	(10,736)	(13,521)
(Decrease)/increase in other liabilities	(673)	1,020
(Use) of provisions	(726)	(4,627)
(Decrease)/increase in current tax liabilities	1,524	(739)
Adjustments to other non-cash items	(163)	(7)
Income taxes paid	(374)	238
Interest paid	(10,306)	(9,539)
Cash used for current operations	*(13,115)*	*(48,502)*
Net cash from/(used in) operating activities	**17,665**	**(19,906)**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment, net of disposals	(2,041)	(6,569)
(Purchase) of intangible assets	(15,566)	(7,625)
Disposals of subsidiaries and associates	945	91
Net cash from/(used in) investing activities	**(16,662)**	**(14,103)**
FINANCING ACTIVITIES		
Loans granted		
- Increase	370	1,865
- Decrease	—	—
Net increase/(decrease) in bank borrowings	2,376	5,484
Loans taken out		
- new loans	16,901	51,335
- repayments	(16,626)	(38,992)
Capital increase	—	975
Dividends paid	(62)	—
Net cash from/(used in) financing activities	**2,959**	**20,667**
Net increase/(decrease) in cash and cash equivalents	**3,962**	**(13,342)**
Effect of foreign exchange rate changes on cash and cash equivalent	(1,016)	950
Cash and cash equivalents at beginning of the period	**40,382**	**36,933**
Cash and cash equivalents at end of the period	**43,328**	**24,541**

(The accompanying notes are an integral part of these interim condensed consolidated financial statements)

Marcolin S.p.A.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As of and for the nine months ended September 30, 2016

1. General Information

Marcolin S.p.A. (hereinafter the "**Company**"), is a company incorporated in Italy, with registered office located in Longarone (Belluno), organized under the laws of the Republic of Italy. The Company and its subsidiaries (together the "**Group**") 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 sole shareholder of the Company is Marmolada S.p.A., based in Milan and fully owned by the company 3 Cime S.p.A. also based in Milan.

2. Basis of preparation

These condensed consolidated interim financial statements for the nine months ended September 30, 2016 (hereafter the "**Condensed Consolidated Interim Financial Statements**") have been prepared on a going concern basis following IAS 34, '*Interim Financial Reporting*' which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "**IFRS**"), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2015. The Condensed Consolidated Interim Financial Statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, and the notes thereto.

In preparing these Condensed Consolidated Interim Financial Statements certain reclassifications were made to comparative figures compared to the published annual consolidated financial statements for the years 2015. Specifically, the provision for sales returns amounting to €9,889 thousand as of December 31, 2015 was reclassified from current provisions to trade receivables.

These Condensed Consolidated Interim Financial Statements have been prepared for inclusion in the offering memorandum to be prepared in connection with the issuance of senior secured notes by Marcolin S.p.A. i) to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") in reliance on Rule 144A and (ii) to non-US persons outside the United States in offshore transactions in reliance on Regulation S.

Unless otherwise stated, all amounts are disclosed in thousand of Euro.

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors of Marcolin S.p.A. on January 17, 2017.

3. Basis of consolidation

The consolidation policies adopted for the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those used to prepare the annual consolidated financial statements of the Company as of and for the year ended December 31, 2015, which may be referred to in this respect. There were no changes in scope of consolidation compared to December 31, 2015 except for the exclusion of the company Viva Australia Pty Ltd which has been deconsolidated due to the finalization of its liquidation process occurred during the third quarter of 2016.

4. Accounting policies

The accounting policies adopted for the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those applied in the annual consolidated financial statements of the Company as of and for the year ended December 31, 2015 except as described below:

- Taxes on income which, in the interim periods, are accrued using the tax rate that would be applicable to expected total annual profit or loss; and
- The accounting standards applicable from January 1, 2016 and adopted by the Group for the first time, described below.

NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM JANUARY 1, 2016

In 2016 the Group adopted the following accounting standards and amendments for the first time.

Standards and amendments	Endorsed in	Effective date
Amendments to IFRS 11 (Joint Arrangements)	November 2015	January 1, 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	November 2015	January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	December 2015	January 1, 2016
Amendments to IAS 1 (Presentation of Financial Statements) – Disclosure Initiative	December 2015	January 1, 2016
Annual Improvements to IFRSs 2012–2014 Cycle	December 2015	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	September 2016	January 1, 2016

The adoption of the above mentioned standards and amendments did not have a significant impact on the Condensed Consolidated Interim Financial Statements.

5. Recently issued accounting standards

NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU NOT YET IN FORCE

On September 22, 2016 the EU regulation no, 2016/1905 was issued, which endorsed IFRS 15 (Revenue from contracts with customers), IFRS 15 is effective starting from January 1, 2018. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

On November 22, 2016 the EU regulation no, 2016/2067 was issued, which endorsed IFRS 9 (Financial Instruments), IFRS 9 is effective starting from January 1, 2018. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NON YET ENDORSED BY THE EU

At the date of preparation of the Condensed Consolidated Interim Financial Statements, the following new standards and interpretations had been issued by IASB but not yet endorsed by the EU.

Standards and amendments	Mandatory application starting from
Amendments to IAS 12 (Income taxes) – Recognition of Deferred Tax Assets for Unrealized Losses	01/01/2017
Amendments to IAS 7 (Cash flow statement) – Disclosure	01/01/2017
IFRS 16 (Leases)	01/01/2019
Amendments to IFRS 10 (Consolidated Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture	Deferred application date to be set
Clarifications to IFRS 15 (Revenue from contracts with customers)	01/01/2018
Amendments to IFRS 2 (Classification and measurement of share-based payment transactions)	01/01/2018
Annual Improvements to IFRS 2014-2016 Cycle	01/01/2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01/01/2018 / 01/01/2017

6. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgments made in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 2015.

7. Seasonality of operations

The operations of the Group are affected by seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from period on period, depending on the variability in the volumes and timing of sales of sunglasses.

8. Exchange rates

The following table lists the exchange rates used for currency translation.

		Closing exchange rate		Average exchange rate	
		As of		For the nine months ended September 30,	
Currency	Abbreviation	September 30, 2016	December 31, 2015	2016	2015
Australian Dollar	AUD	1.466	1.490	1.505	1.463
Brasilian Real	BRL	3.621	4.312	3.956	3.526
Canadian Dollar	CAD	1.469	1.512	1.475	1.404
Swiss Franc	CHF	1.088	1.084	1.094	1.062
Renminbi	CNY	7.446	7.061	7.347	6.964
Danish Krone	DKK	7.451	7.463	7.447	7.458
English Pound	GBP	0.861	0.734	0.803	0.727
Hong Kong Dollar	HKD	8.655	8.438	8.666	8.640
Mexican Pesos	MXN	21.739	18.915	20.430	17.365
Norwegian Krone	NOK	8.987	9.603	9.375	8.817
Russian Rublo	RUB	70.514	80.674	76.183	66.597
Swedish Krona	SEK	9.621	9.190	9.373	9.371
US Dollar	USD	1.116	1.089	1.116	1.114

9. Italian tax consolidation

The Company, together with its former parent company, Cristallo S.p.A. (subsequently absorbed through a reverse merger on October 28, 2013) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l. (both of which were merged through absorption directly into the Company on December 1, 2015), had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for financial years 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company. On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree No. 917, Article 117 *et seq* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A., notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including the Company, for financial years 2014, 2015 and 2016. Accordingly, the tax consolidation regime effective in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new one for the three-year period 2014-2016. The current tax consolidation regime enables each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

10. Financial risk management

In the ordinary course of business the Group is exposed to a variety of financial risks including market risks (currency risk and interest rate risk), credit risk and liquidity risk. The Condensed Consolidated Interim Financial Statements do not include all the information and notes on financial risk management required in the preparation of the annual consolidated financial statements. For a detailed description of this information for the Group, reference should be made to the note "Financial risk factors" of the Consolidated Financial Statements.

11. Property, plant and equipment and intangible assets

The composition and movements of property, plant and equipment and intangible assets are as follows.

	(€ thousands)	
	PPE	Intangible assets
Opening net book amount as of January 1, 2016	27,258	46,043
Increase	1,856	8,286
Depreciation, amortization and impairment	(3,561)	(5,937)
Disposals	(493)	—
Exchange differences	15	(477)
Closing net book amount as of September 30, 2016	**25,075**	**47,915**

As of September 30, 2016 there were no liens, mortgages or other encumbrances on property, plant and equipment and intangible assets.

12. Goodwill

The movement of goodwill is as follows.

	(€ thousands)
	Goodwill
Opening net book amount as of January 1, 2016	288,225
Exchange differences	(2,945)
Closing net book amount as of September 30, 2016	**285,280**

Goodwill is affected exclusively by the translation differences primarily on the component regarding the Viva International acquisition.

13. 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.

14. Share capital

As of September 30, 2016, share capital amounts to Euro 32,312 thousand, it is fully paid up and consists of 61,458,375 ordinary shares without par value. Share capital is unchanged compared to December 31, 2015.

15. Current and non-current financial liabilities

As of September 30, 2016 financial liabilities mainly relate to a high yield bond, which was issued in November 2013, with maturity on November 14, 2019. The bond has a nominal value of Euro 200 million and bears fixed rate interest of 8.5% (paid semiannually). Financial liabilities also include the revolving credit facility of Euro 30.0 million of which Euro 25.0 million had been drawn as of September 30, 2016. In addition, the Group's financial facilities, also include a mix of amortizing and revolving credit lines, Euro 17.6 million of short term borrowings and Euro 5.4 million of medium-long term loans, granted to support the Group growth. Finally, financial liabilities also include an amount of US$ 3.0 million due to HVHC. Inc. Group, (same amount as of December 31, 2015) recognized as current financial liabilities since the residual amount is due at the end of 2016. Current financial liabilities, primarily relate to bank overdraft and short term financing, including bank credit facilities in the form of bill discounting facility undertaken in the ordinary course of business, increased compared to December 31, 2015 mainly due to accrued interest on the high yield bond.

The most significant loans of the Group, primarily taken out by the Company, are presented in detail below.

	Currency	Original principal amount (Euro)	Residual principal amount[(1)] (Euro)	Maturity date	Interest rate	Notes
High yield bond	Euro	200,000,000	200,000,000	11/14/2019	8,5%	Issued on November 14, 2013 – Bears semi-annual interest payable on 15 May and 15 November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	Euro	30,000,000	25,000,000	06/03/2019	Euribor 1/2/3 months + spread 4%	Super Senior RCF - Revolving facility agreement - Euro 25,000,000 signed on November 18, 2013 - Euro 5,000,000 signed on July 15, 2016
Unicredit S.p.A.	Euro	5,000,000	2,812,500	12/31/2018	Euribor 3 months + spread	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015
Banca Popolare FriulAdria S.p.A.	Euro	3,000,000	1,525,196	03/04/2018	Euribor 3 months + spread	Loan granted on March 4, 2015, repayable in 12 quarterly installments from June 4, 2015
Banco Popolare s.c.r.l.	Euro	1,500,000	1,000,000	09/30/2018	Euribor 3 months + spread	Loan granted on September 16, 2015, repayable in 12 quarterly installments from December 31, 2015
Banca Popolare di Vicenza s.c.p.a.	Euro	2,500,000	1,899,969	12/31/2018	Euribor 3 months + spread	Loan granted on December 23, 2015, repayable in 12 quarterly installments from March 31, 2016
BCC delle Prealpi Soc. Coop.	Euro	1,000,000	251,710	12/31/2016	Euribor 6 months + spread	Loan granted on December 10, 2015, repayable in monthly installments from January 10, 2016
Banca Popolare FriulAdria S.p.A.	Euro	1,500,000	1,202,605	09/28/2017	Euribor 3 months + spread	Loan granted on June 28, 2016, repayable in 5 quarterly installments from September 28, 2016
Banco Popolare s.c.r.l.	euro	3,000,000	3,000,000	03/31/2019	Euribor 3 months + spread	Loan granted on September 30, 2016, repayable in 10 quarterly installments from December 31, 2016
Total			**236,691,980**			

(1) *Excluding amortized cost amounting to Euro 5,556 thousand as of September 30, 2016.*

16. Net Revenues

The following table sets forth an analysis of net revenues by geographical area (destination markets).

	(€ thousands)	
	For the nine months ended September 30,	
	2016	**2015**
Americas	146,345	160,694
Europe	121,144	99,894
Italy	*23,167*	*18,845*
Rest of Europe	*97,977*	*81,049*
Asia	26,493	27,649
Rest of World	41,160	35,134
Total	**335,142**	**323,371**

17. Cost of sales

The following table sets forth an analysis of cost of sales.

	(€ thousands) For the nine months ended September 30,	
	2016	**2015**
Purchases of materials and finished products	130,480	116,989
Personnel expenses	7,755	11,212
Amortization, depreciation and writedowns	2,308	1,901
Other costs	1,440	3,423
Total	**141,983**	**133,525**

Other costs mainly refer to other purchasing charges and business consulting services.

18. Distribution and marketing expenses

The following table sets forth an analysis of distribution and marketing expenses.

	(€ thousands) For the nine months ended September 30,	
	2016	**2015**
Personnel expenses	35,721	38,222
Commissions	19,555	21,429
Amortization	5,168	3,832
Royalties	41,617	40,699
Advertising and public relations	24,211	23,067
Other costs	22,157	23,170
Total	**148,429**	**150,419**

The “other costs” refer principally to freight expenses, business travel, rent and services.

19. General and administrative expenses

The following table sets forth an analysis of general and administrative expenses.

	(€ thousands) For the nine months ended September 30,	
	2016	**2015**
Cost of personnel	9,838	11,193
Writedowns of receivables	441	581
Amortization and writedowns	2,021	2,056
Other costs	10,629	11,613
Total	**22,929**	**25,443**

20. Financial income and costs

The following table sets forth an analysis of financial income and costs.

	(€ thousands) For the nine months ended September 30,	
	2016	**2015**
Financial income	12,829	14,170
Financial costs	(27,330)	(31,726)
Total	**(14,501)**	**(17,556)**

The composition of financial income is shown below:

	(€ thousands)	
	For the nine months ended September 30,	
	2016	**2015**
Gains on currency exchange	12,320	13,748
Other financial income	509	422
Total	**12,829**	**14,170**

The composition of finance costs is shown below:

	(€ thousands)	
	For the nine months ended September 30,	
	2016	**2015**
Interest expense	(16,765)	(15,906)
Financial discounts	(1,847)	(1,533)
Losses on currency exchange	(8,718)	(14,287)
Total	**(27,330)**	**(31,726)**

Net finance costs amounted to Euro 14,501 thousand for the nine months ended September 30, 2016, compared to net finance costs of Euro 17,556 thousand for the nine months ended September 30, 2015. In both periods this item includes primarily interest on the bond notes issued by the Company in 2013, for Euro 12.8 million, bank interest expense and other financial costs and discounts incurred by the Group, in addition to translation differences.

21. Transactions with related parties

In addition to the transactions between the consolidated companies, during the period transactions took place with equity-accounted associates and other related parties. Intercompany and related-party transactions are of a trade nature and are conducted on an arm's length basis.

The following table sets forth the transactions and outstanding balances with respect to related parties as of September 30, 2016 are shown below, as required by IAS 24.

As previously noted, the Group's related party transactions reflect the participation in the Italian tax consolidation regime with the ultimate parent company 3 Cime S.p.A..

(€ thousands)

Related Parties	Expenses	Revenues	Payables	Receivables	Type
Tod's S.p.A.	1,096	283	23	—	Related party
Pai Partners Sas	45	2	45	—	Related party
Coffen Marcolin Family	519	—	40	—	Related party
O.T.B. Group	2,011	45	2,364	42	Related party
3 Cime S.p.A.	—	—	—	1,626	Consolidating
Total	**3,671**	**331**	**2,472**	**1,668**	

22. Commitments

With a notarial deed dated October 31, 2013, the Company Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal Euro 200,000,000 were established.

The notes are secured by collateral provided by the Company, the controlling shareholder Marmolada S.p.A. and some subsidiaries of the Company for the exact amount of the payment obligations assumed.

The Group also has guarantees for third parties of euro 40 thousand (Euro 152 thousand in 2015).

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses. Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; as of September 30, 2016 these future commitments amounted to Euro 315,017 thousand (Euro 329,424 thousand as of December 31, 2015), as summarized below.

		(€ thousands)
	As of September 30, 2016	**As of December 31, 2015**
Within one year	71,594	66,041
In one to five years	202,535	224,359
After five years	40,888	39,024
Total	**315,017**	**329,424**

Rent and operating leases

Details of the rent and operating lease commitments are shown below:

		(€ thousands)
	As of September 30, 2016	**As of December 31, 2015**
Rent due		
Within one year	3,565	3,582
In one to five years	10,104	8,340
After five years	6,740	7,410
Total	**20,409**	**19,332**
Operating lease payments		
Within one year	851	490
In one to five years	1,208	662
After five years	0	0
Total	**2,059**	**1,152**
Total commitments	**22,468**	**20,484**

The rent commitments refer mainly to the building of the US subsidiary of the Group based in New Jersey.

23. Significant events occurred after the end of period

There are no significant events occurred after the end of period to be reported.

INDEPENDENT AUDITORS REPORT

To the sole shareholder of
Marcolin SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Marcolin SpA (the "**Company**" and together with its subsidiaries the "**Marcolin Group**"), which comprise the consolidated statement of financial position as of December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes (the "**Consolidated Financial Statements**").

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**").

Auditors' responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Marcolin Group as of December 31, 2015 and of the result of its operations and cash flows for the year then ended in compliance with EU IFRS.

Bologna, April 5, 2016

PricewaterhouseCoopers SpA

/s/ Edoardo Orlandoni

Edoardo Orlandoni
(Partner)

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2015 and 2014

(euro/000)

	Notes	12/31/2015	12/31/2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*1*	27,258	24,657
Intangible assets	*2*	46,043	37,213
Goodwill	*2*	288,225	278,010
Investments in subsidiaries and associates	*3*	1,775	1,877
Deferred tax assets	*4*	36,793	38,536
Other non-current assets	*5*	564	845
Non-current financial assets	*6*	4,461	5,455
Total non-current assets		**405,119**	**386,593**
CURRENT ASSETS			
Inventories	*7*	120,214	100,075
Trade receivables	*8*	85,115	80,576
Other current assets	*9*	15,392	14,099
Current financial assets	*10*	1,022	2,042
Cash and cash equivalents	*11*	40,382	36,933
Total current assets		**262,125**	**233,725**
TOTAL ASSETS		**667,244**	**620,318**
EQUITY	*12*		
Share capital		32,312	32,312
Additional paid-in capital		151,994	151,994
Legal reserve		4,077	3,853
Other reserves		59,018	50,447
Retained earnings (losses)		(16,903)	(17,086)
Profit (loss) for the year		(2,543)	407
Non-controlling interests		1,969	886
TOTAL EQUITY		**229,924**	**222,813**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	*13*	200,626	199,152
Non-current provisions	*14*	8,703	8,919
Deferred tax liabilities	*4*	10,379	7,387
Other non-current liabilities	*15*	5,757	4,742
Total non-current liabilities		**225,465**	**220,200**
CURRENT LIABILITIES			
Trade payables	*16*	120,787	102,322
Current financial liabilities	*17*	58,226	41,353
Current provisions	*18*	10,312	14,799
Tax liabilities	*28*	4,375	5,004
Other current liabilities	*19*	18,155	13,827
Total current liabilities		**211,855**	**177,305**
TOTAL LIABILITIES		**437,320**	**397,505**
TOTAL LIABILITIES AND EQUITY		**667,244**	**620,318**

Marcolin S.p.A.
CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2015 and 2014

(euro/000)

	Note	2015	%	2014	%
NET REVENUES	*21*	**434,842**	**100.0%**	**362,133**	**100.0%**
COST OF SALES	*22*	**(178,981)**	**(41.2)%**	**(145,360)**	**(40.1)%**
GROSS PROFIT		**255,861**	**58.8%**	**216,773**	**59.9%**
DISTRIBUTION AND MARKETING EXPENSES	*23*	**(199,598)**	**(45.9)%**	**(169,250)**	**(46.7)%**
GENERAL AND ADMINISTRATIVE EXPENSES	*24*	**(32,013)**	**(7.4)%**	**(31,711)**	**(8.8)%**
Other operating income / expenses:	*26*				
- other operating income		4,069	0.9%	4,928	1.4%
- impairment / reversals of equity investments		250	0.1%	206	0.1%
- other operating expenses		(452)	(0.1)%	(1,014)	(0.3)%
TOTAL OPERATING INCOME / EXPENSES		**3,867**	**0.9%**	**4,120**	**1.1%**
OPERATING INCOME – EBIT		**28,117**	**6.5%**	**19,932**	**5.5%**
Financial income and costs:	*27*				
- financial income		20,347	4.7%	18,203	5.0%
- financial costs		(40,895)	(9.4)%	(31,033)	(8.6)%
TOTAL FINANCIAL INCOME AND COSTS		**(20,548)**	**(4.7)%**	**(12,830)**	**(3.5)%**
PROFIT BEFORE TAXES		**7,569**	**1.7%**	**7,102**	**2.0%**
Income tax expense	*28*	(10,082)	(2.3)%	(6,695)	(1.8)%
NET PROFIT / (LOSS) FOR THE YEAR		**(2,513)**	**(0.6)%**	**407**	**0.1%**
Profit / (loss) attributable to:					
Parent company		(2,543)	(0.6)%	407	0.1%
Non-controlling interests		30	0.0%	—	0.0%

(euro/000)

	2015	2014
NET PROFIT / (LOSS) FOR THE YEAR	**(2,513)**	**407**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes of euro 39 thousand	103	(236)
Other effects	—	(264)
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**103**	**(500)**
Other items that will be subsequently reclassified to profit or loss		
Change in foreign currency translation reserve	8,271	7,045
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**8,271**	**7,045**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**5,861**	**6,952**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2015 and 2014

(euro/000)

				Other reserves								
	Share capital	**Additional paid-in capital**	**Legal Reserve**	**S.holders deposit in s/capital**	**Translation reserve**	**Other reserves**	**Retained earnings/ (losses)**	**Profit/(loss) for the year**	**Period result**	**Capital and reserves net total**	**Non-controlling interests in equity**	**Total**
As of December 31, 2013	**32,312**	**151,994**	**3,853**	**46,108**	**(2,592)**	**—**	**122**	**(4,811)**	**(12,011)**	**214,975**	**—**	**214,975**
										—	—	**—**
Allocation of 2013 profit	—	—	—	—	—	—	—	(12,011)	12,011	—	—	**—**
Change in consolidation perimeter	—	—	—	—	—	—	—	—	—	—	886	**886**
- Period result	—	—	—	—	—	—		—	*407*	*407*	—	***407***
- Other components of comprehensive income	—	—	—	—	*7,045*	—	*(236)*	*(264)*	—	*6,545*	—	***6,545***
Total comprehensive income	—	—	—	—	7,045	—	(236)	(264)	407	6,952	—	**6,952**
As of December 31, 2014	**32,312**	**151,994**	**3,853**	**46,108**	**4,453**	**—**	**(114)**	**(17,086)**	**407**	**221,927**	**886**	**222,813**
Allocation of 2013 profit	—	—	224	—	—	—	—	183	(407)	—	—	**—**
Change in consolidation perimeter	—	—	—	—		(93)	—	—	—	*(93)*	1,091	**998**
Other movements	—	—	—	—	—	216	—	—	—	*216*	36	**252**
- Period result	—	—	—	—	—	—	—	—	*(2,543)*	*(2,543)*	*30*	***(2,513)***
- Other components of comprehensive income	—	—	—	—	*8,345*	—	*103*	—	—	*8,448*	*(74)*	***8,374***
Total comprehensive income	**—**	**—**	**—**	**—**	**8,345**	**—**	**103**	**—**	**(2,543)**	**5,905**	**(44)**	**5,861**
As of December 31, 2015	**32,312**	**151,994**	**4,077**	**46,108**	**12,798**	**123**	**(11)**	**(16,903)**	**(2,543)**	**227,955**	**1,969**	**229,924**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years December 31, 2015 and 2014

	Note	2015	2014
			(euro/000)
OPERATING ACTIVITIES			
Net profit / (loss) for the year		*(2,513)*	*407*
Depreciation and amortization	*1.2*	10,954	8,958
Provisions	*14.17*	4,044	2,216
Income tax expense	*28*	10,082	6,695
Accrued interest expense	*27*	20,548	12,830
Adjustments to other non-cash items		(5,347)	(8,914)
Cash generated by operations		*37,768*	*22,192*
(Increase) decrease in trade receivables	*8*	(7,068)	(10,553)
(Increase) decrease in other receivables	*9*	(2,159)	(2,653)
(Increase) decrease in inventories	*7*	(18,932)	(27,821)
(Decrease) increase in trade payables	*16*	20,063	33,787
(Decrease)/increase in other liabilities	*15.19*	5,016	3,113
(Use) of provisions	*14.18*	(2,884)	(6,892)
(Decrease)/increase in current tax liabilities	*28*	(3,742)	—
Adjustments to other non-cash items		(4,722)	(2,493)
Income taxes paid		1,277	(3,609)
Interest paid		(19,043)	(18,253)
Cash used for current operations		*(32,194)*	*(35,374)*
Net cash from /(used in) operating activities		**5,574**	**(13,182)**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	*1*	(7,153)	(6,179)
Proceeds from the sale of property, plant and equipment	*1*	68	755
Investments in intangible assets	*2*	(14,830)	(6,742)
Net cash outflow on business combinations net of the liquidity acquired (Viva)		—	(4,958)
Net cash outflow on business combinations net of the liquidity acquired (SoverM)		—	(1,530)
Net cash from /(used in) investing activities		**(21,915)**	**(18,654)**
FINANCING ACTIVITIES			
Loans granted			
- Increase		—	—
- Decrease	*6*	2,015	1,676
Net increase (decrease) in bank borrowings		(2,629)	(7,448)
Loans taken out	*13.17*		
- new loans		74,046	47,190
- repayments		(55,784)	(14,921)
Capital increase		1,005	—
Dividends paid		(188)	—
Net cash from /(used in) financing activities		**18,465**	**26,497**
Net increase/(decrease) in cash and cash equivalents		**2,124**	**(5,339)**
Effect of foreign exchange rate changes		1,325	3,736
Cash and cash equivalents at beginning of year		**36,933**	**38,536**
Cash and cash equivalents at end of year		**40,382**	**36,933**

Marcolin S.p.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of and for the years ended December 31, 2015 and 2014

Introduction

Marcolin S.p.A.'s (the "Parent Company" or "Marcolin" and together with its subsidiaries the "Marcolin Group" or the "Group") share capital[1] is euro 32,312,475.00, fully paid-in, comprised of 61,458,375 ordinary shares, without par value. The share capital is wholly owned by the sole shareholder, Marmolada S.p.A., a single-member company based in Milan.

Marcolin shares have normal dividend rights and they continue to be encumbered by liens. At the end of 2013, Marcolin issued bond notes, secured by collateral for the same amount of the obligations assumed with the bondholders, including a lien on the shares of the Issuer, Marcolin, representing 100% of share capital.

No changes occurred during the years ended December 31, 2014 and 2015 that changed the composition of equity, which therefore is in line with the equity composition reported at December 31, 2014.

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General Information

The explanatory notes set out below form an integral part of these annual consolidated financial statements of the Marcolin Group and were prepared in accordance with the accounting information updated to December 31, 2015.

The consolidated 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).

The consolidated financial statements for the year ended December 31, 2015 include the financial statements of the Parent Company, Marcolin S.p.A., and those of its subsidiaries and well as the Group's interests in jointly controlled entities and in associates.

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

Marcolin S.p.A. is the Parent Company of the 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 subsidiaries and associates are as follows.

Company	Headquarters	Address
Marcolin Asia HK Ltd	Hong Kong	Units 2207-11, Tower I, Level 22 - Metroplaza, 223 Hing Fong Road - Kwai Fong, N.T.
Marcolin Benelux Sprl	Faimes, Benelux	Rue al Cadorette, 2 - 4317
Marcolin do Brasil Ltda	Barueri - SP, Brasil	Av Tamboré, 1180 - 06460-000
Marcolin Deutschland Gmbh	Ludwigsburg, Germany	Monreposstrasse, 55
Marcolin France Sas	Parigi, France	45, rue Saint Sébastien - 75011
Marcolin GmbH	Fullinsdorf, Switzerland	Rheinstrasse, 26 - 4414
Marcolin Iberica SA	Barcellona, Spagna	Juan De Austria, 116 - 4a Planta - 08018
Marcolin International BV	Amsterdam, Netherlands	Herikerbergweg 238
Marcolin Portugal Lda	Lisbona, Portogallo	Rua Jose Travassos, 15/B 1600-410
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	Unit 313, no.555 Anyuan Road, Jingan District

[1] Resulting from the 2013 restructuring reported in the 2013 consolidated financial statements .

Company	Headquarters	Address
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	4018 Jin Tian Road, Fitian District
Marcolin UK Ltd	Newbury, UK	Building 107 - New Greenham Park-RG19 6HN
Marcolin USA Eyewear Corp.	Somerville, Usa	Route 22 west, 3140 - 08876 NJ
Viva Canada Inc	New Brunswick, Canada	671 Malenfant Blvd., Dieppe, NB, E1A 5T8
Viva Eyewear Hong Kong Ltd	New Territories, 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	North Yorkshire, UK	1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB
Joint Ventures		
Viva Optique de Mexico SA de CV	Edo, Mexico	Boulevard Toluca No. 128, Col. San Andres Atoto, C.P. 53500, Naucalpan, Edo
Viva Eyewear Australia Pty Ltd	Rosebery NSW, Australia	110 Dalmeny Avenue, Rosebery NSW2018
Viva Deutschland Gmbh	Schwaebisch Gmund, Germany	Oderstrasse 2, Schwaebisch Gmund
Viva Eyewear Brillenvertriebs Gmbh	Voklabruck, Austria	Teichstrasse 12, 4863 Seewalchen
Viva Schweiz AG	Wallis, Switzerland	Route d´Anchettes 6, 3973 Venthône
Marcolin-RUS LLC	Moscow, Russia	Building 1, 8 Bolshoy Chudov Pereulok
Gin Hong Lin Intenational Co Ltd	Hong Kong	Ocean Centre 609, Harbour City 5, Canton Road Tst Kowloon
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	Shanghai Jinlin Optical Co Ltd
Marcolin Nordic AB	Solna, Stockholm	Frosundavisk Alle 1, 169 70 Solna

Presentation currency

These financial statements are presented in the Parent Company's presentation currency (Euro).

For the sake of a clear understanding of these consolidated financial statements, the amounts in the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and Explanatory Notes are presented in thousands of Euros. As a result of presenting the amounts in thousands of Euros, immaterial differences in the totals may emerge due to rounding.

Italian tax consolidation

Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l. (both of which were merged through absorption directly into Marcolin S.p.A. on December 1, 2015), had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.

From the current year to December 31, 2016, the tax consolidation regime will enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities;
- the consolidated companies with negative taxable income receive from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accruals basis;
- The payment is made only at the time of actual use by 3 Cime S.p.A. for itself and/or for other Group companies;
- if 3 Cime S.p.A. and the subsidiaries do not renew the tax consolidation option, or if the requirements for 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

The financial statements were authorized for issue by the Board of Directors on March 10, 2016.

ACCOUNTING STANDARDS

Basis of preparation

The consolidated financial statements were prepared according to the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

The IFRS include all the 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 consolidated financial statements had been authorized by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on July 19, 2002.

The accounting policies adopted to prepare the consolidated financial statements for the year ended December 31, 2015 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

Accounting standards, amendments and interpretations effective from January 1, 2015

Application of the following new IFRS standards and/or standards revised by the International Accounting Standards Board and IFRIC interpretations became mandatory in 2015.

Description	Approved as of the date of this document	Effective date of the standard
Amendment to IAS 19 regarding defined benefit plans	Yes	Annual periods beginning on or after July 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	Yes	Annual periods beginning on or after July 1, 2014

The adoption of the accounting standards, amendments and interpretations listed in the table above did not have any material effects on the Marcolin Group's financial position or performance.

Accounting standards, amendments and interpretations not applicable yet and not adopted early by the Group for the annual period beginning January 1, 2015

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, and information with respect to their adoption in Europe as at the date of approval of the consolidated financial statements, are set forth below:

Description	Approved as of the date of this document	Effective date of the standard
IFRS 9 Financial Instruments	No	Annual periods beginning on or after January 1, 2018
IFRS 14 Regulatory deferral accounts	No	Annual periods beginning on or after January 1, 2016
IFRS 15 Revenue from contracts with customers	No	Annual periods beginning on or after January 1, 2018
IFRS 16 Leases	No	Annual periods beginning on or after January 1, 2019
Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the consolidation exception (issued in December 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IAS 1: Disclosure Initiative (issued on December 18, 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (issued in January 2016)	No	Annual periods beginning on or after January 1, 2017
Amendments to IAS 7: Disclosure Initiative (issued in January 2016)	No	Annual periods beginning on or after January 1, 2017
Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No	Date postponed by IASB in December 2015, to be determined
Amendments to IAS 27: Equity Method in Separate Financial Statements (issued in August 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IAS 16 and IAS 41: Bearer Plants (issued in June 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (issued in May 2014)	No	Annual periods beginning on or after January 1, 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)	No	Annual periods beginning on or after January 1, 2016

No accounting standards and/or interpretations with mandatory application in annual periods beginning after December 31, 2015 were adopted early.

The Marcolin Group is evaluating the effects of the application of the above new standards, which are not currently considered to cause an impact.

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 Explanatory Notes.

In order to provide 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 realized 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 realized 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 in order 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.

Statement of Cash Flows

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.

Segment reporting

Segment information was prepared on the basis of the geographical areas in which the Group operates, through its companies, by identifying the geographical areas as the primary segments of business.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the companies consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method.

List of Subsidiaries and Associates

Company	Currency	Share capital	Equity	Net profit / (loss)	Consolidation method	% ownership	
						Direct	Indirect
Marcolin Asia HK Ltd	HKD	1,539,785	53,113,637	7,839,757	Full		100.00%
Marcolin Benelux Sprl	EUR	280,000	542,894	102,590	Full	100.00%	
Marcolin do Brasil Ltda	BRL	9,575,240	(22,101,852)	(23,865,408)	Full	100.00%	
Marcolin Deutschland Gmbh	EUR	4,650,000	1,486,102	58,584	Full	100.00%	
Marcolin France Sas	EUR	1,054,452	2,203,473	(825,682)	Full	76.89%	23.11%
Marcolin GmbH	CHF	200,000	243,804	43,123	Full	100.00%	
Marcolin Iberica SA	EUR	487,481	3,504,893	221,696	Full	100.00%	
Marcolin International BV	EUR	18,151	(1,419,071)	(97,634)	Full	100.00%	
Marcolin Portugal Lda	EUR	420,000	57,108	48,146	Full	99.82%	
Eyestyle Trading (Shanghai) Co Ltd	CNY	3,001,396	4,443,553	2,662,435	Full	100.00%	
Marcolin Technical Services (Shenzhen) Co. Ltd	CNY	1,000,000	1,000,000	—	Full	100.00%	
Marcolin UK Ltd	GBP	3,572,718	7,454,101	2,274,630	Full	100.00%	
Marcolin USA Eyewear Corp.	USD	121,472,262	75,241,627	107,029	Full		100.00%
Viva Canada Inc	CAD	347,640	2,991,938	2,782,659	Full		100.00%
Viva Eyewear Hong Kong Ltd	HKD	100	54,364,956	(1,282,496)	Full		100.00%
Viva Eyewear UK Ltd	GBP	—	21,493,171	172,622	Full		100.00%
Joint Ventures							
Viva Optique de Mexico SA de CV	MXN	3,694,685	39,930,784	11,500,137	Equity		50.00%
Viva Eyewear Australia Pty Ltd	AUD	1,000,000	2,143,456	(225,826)	Equity		50.00%
Viva Deutschland Gmbh	EUR	25,000	203,479	178,479	Full		50.00%
Viva Eyewear Brillenvertriebs Gmbh	EUR	35,000	49,097	14,097	Full		50.00%
Viva Schweiz AG	CHF	100,000	267,931	117,718	Full		50.00%
Marcolin-RUS LLC	RUB	372,583	139,968,788	2,400,122	Full	51.00%	
Gin Hong Lin Intenational Co Ltd	HKD	16,962,203	15,509,356	(1,452,847)	Full	50.00%	
Shanghai Ginlin Optics Co Ltd	CNY	14,354,200	19,145,785	4,791,585	Full		50.00%
Marcolin Nordic AB	SEK	50,000	(12,182,161)	(12,418,161)	Full	70.00%	

The following changes since December 31, 2014 are reported:

- a new company, Marcolin Technical Services (Shenzhen) Co. Ltd, wholly owned by Marcolin S.p.A., has been included in the consolidation perimeter;
- Eyestyle Retail Srl and Eyestyle.com Srl are no longer consolidated due to their merger through absorption into Marcolin S.p.A. on December 1, 2015;

- Marcolin USA Inc., Viva Optique Inc. d/b/a Viva International Group, Viva Europa Inc., Viva IP Inc., and Viva International Inc d/b/a Viva Japan are no longer consolidated due to their direct absorption or reverse merger (the latter solely for Marcolin USA Inc.) into Viva Optique Inc., which subsequently changed its name to Marcolin USA Eyewear Corp.;
- Viva Brasil Comercio Produtos Opticos Ltda and Viva France Sas are no longer consolidated due to their direct absorption into their respective parent companies, Marcolin do Brasil Ltda and Marcolin France Sas;
- Viva Italia Srl and Viva Nederland B.V. are no longer consolidated because their liquidation procedures have ended.

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 Union and, includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realized by the associate after the acquisition date is recognized in the income statement, whereas the interest in changes in reserves after the acquisition date is recognized 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 recognize additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealized 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 ventures are consolidated 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 realized between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in inventories originating from intercompany transactions are eliminated;
- any non-controlling interests in equity or net profit/(loss) 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 realized by such companies;

- financial statements presented in a different functional currency from that of the Parent Company are translated into euros 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 recognized in the changes in equity.[2]

The following table lists the exchange rates used for translation:

Currency	Symbol	Closing exchange rate			Average exchange rate		
		12/31/2015	12/31/2014	*Change*	2015	2014	*Change*
Australian Dollar	AUD	1.490	1.483	0.5%	1.478	1.472	0.4%
Brasilian Real	BRL	4.312	3.221	33.9%	3.700	3.121	18.6%
Canadian Dollar	CAD	1.512	1.406	7.5%	1.419	1.466	(3.2%)
Swiss Franc	CHF	1.084	1.202	(9.8%)	1.068	1.215	(12.1%)
Remimbi	CNY	7.061	7.536	(6.3%)	6.973	8.186	(14.8%)
Danish Krone	DKK	7.463	7.445	0.2%	7.459	7.455	0.1%
English Pound	GBP	0.734	0.779	(5.8%)	0.726	0.806	(9.9%)
Hong Kong Dollar	HKD	8.438	9.417	(10.4%)	8.601	10.302	(16.5%)
Japanese Yen	JPY	131.070	145.230	(9.8%)	134.314	140.306	(4.3%)
Mexican Pesos	MXN	18.915	17.868	5.9%	17.616	17.655	(0.2%)
Norwegian kronw	NOK	9.603	9.042	6.2%	8.950	8.354	7.1%
Russian Rublo	RUB	80.674	72.337	11.5%	68.072	50.952	33.6%
Swedish Krone	SEK	9.190	9.393	(2.2%)	9.353	9.099	2.8%
USA Dollar	USD	1.089	1.214	(10.3%)	1.110	1.329	(16.4%)

Business combinations

The Group's business combinations are accounted for with the acquisition method in accordance with 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.

Based on the acquisition 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 recognized 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 recognized. 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 recognized 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 to obtain 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.

[2] *Translation of foreign-currency financial statements*
Financial statements presented in a different functional currency are translated into euros 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 recognized in the "foreign currency translation reserve" under "other reserves".

With respect to the Group's business combinations, the aggregation of the former Sover-M (now Marcolin-RUS LLC), acquired in December 2014, was treated as provisional as at December 31, 2014. At December 31, 2015, no differences emerged in the fair value of the assets acquired and liabilities and contingent liabilities assumed with respect to the provisional values recognized in the previous annual financial statements.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted to prepare the consolidated financial statements are described hereunder:

Property, plant, and equipment ("PP&E" or "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.

PP&E 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 recognized 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 capitalized to the extent that they can be separately classified as an asset or part of an asset. The carrying value 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 released 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 capitalizing them.

Assets held under finance leases are recognized as tangible assets against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

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
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
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 recognized 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 amortization (except for those assets with an indefinite useful life) and any impairment losses. Amortization 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 recognized in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

Goodwill

Goodwill is recognized at cost less any impairment losses.

Goodwill relating to 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 recognized.

Goodwill is not amortized, 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 recognized at cost.

They have a finite useful life and are recognized at cost net of accumulated amortization. Amortization 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 amortization, 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 value that the asset would have had if there had been no impairment loss and if the asset had been amortized.

Trademarks are amortized on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

Software

Software licenses acquired are capitalized on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortization 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 recognized 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 recognized as an expense as incurred unless they meet the conditions for capitalization under IAS 38.

Impairment of tangible 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 value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized 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 value is increased to that new value. The increased carrying value must not exceed the net carrying value the asset would have had without any impairment loss.

An impairment loss with respect to goodwill may not be reversed.

Financial derivatives

Derivative financial instruments are used by the Group solely for hedging purposes, in order to reduce exposure to currency risks.

All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge – If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss;

Cash flow hedge – If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the

cumulative gain or loss that has been recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has been recognized in equity is immediately recognized in the income statement.

If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorized 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 categorized 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 categorization (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 realizable value based on market prices. Estimated realizable 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 realizable value.

Financial assets – Loans and receivables

Trade receivables, current loan receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year that do not accrue interest or that accrue interest at below-market rates are discounted using market rates and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

Cash and cash equivalents

Cash and cash equivalents 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 value will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognized at their net carrying value 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 recognized 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.

Share-based payments (stock option plan)

Currently there are no such payments.

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 recognized on an accruals basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs).

Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with IAS 19 Revised, effective from January 1, 2013.

On January 1, 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 June 30, 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 June 30, 2007, are considered a defined contribution plan, so 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

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their nominal value.

Financial liabilities

Borrowings (loans) are initially recognized at cost, corresponding to the fair value of the liability less their transaction costs.

They are subsequently measured at amortized cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognized 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 derecognized when they are settled or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes sales revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement.

The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of the goods and supply of the services.

Revenues from services are recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized 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 amortization 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 recognized 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 recognized 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 realized in the period are recognized in the income statement.

Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

Income tax expense

Income taxes are recorded in the income statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized 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 realized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying value 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 realized 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 the 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 also uses some derivative instruments to minimize the impact of such risks on its results.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on purchases from suppliers 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.

Currency risk

The Group operates on an international level, so it is exposed to foreign exchange risk (particularly as regards the U.S. dollar). Currency risk is managed centrally by the Parent Company, which examines and monitors fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

The Company has a specific policy in place for managing currency risk. This activity makes it possible to keep under control the main currency positions not covered by natural hedging.

According to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements.

Details of the hedging contracts in place on the reporting date are as follows.

(euro/000)

Currency hedges

Type	Financial Institution	Notional	Currency	Maturity date	Mark to Market
Currency forward purchase	Veneto Banca	2,000	USD	February/April 2016	(22)
Currency forward sell	Veneto Banca	4,000	USD	January/March 2016	64
Currency forward sell	Banca Popolare di Vicenza	2,000	USD	February/March 2016	5
Currency forward sell	Banca Nazionale del Lavoro	1,000	USD	March 2016	0
Currency forward sell	Deutsche Bank	3,000	USD	January/February 2016	26

The Group is exposed mainly with the U.S. dollar on sales of finished and semi-finished products to clients in U.S. dollars, net of the cash flows for purchases from suppliers in the Far East.

The hedging instruments in place on December 31, 2015 have a fair value of euro 74 thousand, accounted for in "current financial liabilities" in these financial statements.

To determine the fair value of the currency forwards purchased, the Group used valuation techniques that are appropriate in the circumstances and for which sufficient information is available on the market. Level 2 inputs of the fair value hierarchy defined by IFRS 7 are used in the valuation techniques.

For the currency derivatives, the potential decrease in the fair value of the currency forwards held by the Group as at December 31, 2015, due to a hypothetical sudden adverse change of 5% in the Euro-to-Dollar exchange rate (depreciation of the Dollar), would be euro 290 thousand. Conversely, the potential increase in fair value arising on appreciation of the Dollar would be euro 262 thousand.

Interest rate risk

As a result of the fixed-rate euro 200 million bond issue subscribed in November 2013, the Group's debt structure changed significantly, and the Group now has low 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

Interest rate sensitivity analysis was performed, assuming a 25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2015. 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 cash equivalents, 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. If interest rates should rise by 25 basis points, income would decrease by euro 161 thousand due to higher interest expense with banks and third parties with respect to the increase in financial income on bank accounts.

If interest rates should fall by 10 basis points, income would increase by euro 64 thousand.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.

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 exposure ceilings.

Receivables and other current assets are set forth below by the main areas in which the Group operates in order to evaluate country risk.

(euro/000)

Receivables by geographical area and other current assets	12/31/2015	12/31/2014
Italy	28,815	19,969
Rest of Europe	17,636	17,577
North America	24,972	26,959
Rest of World	29,085	30,170
Total	**100,507**	**94,675**

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 2013 the Parent Company has had a revolving credit facility of nominal euro 25 million available for short-term cash flow requirements.

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 types of credit lines available and the base rate on the reference date are reported herein.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Principal repayments and non-discounted interest were specified by time brackets. 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.

(euro/000)

	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Loans and bonds (excluding capital lease)	57,922	—	199,687	—
Interest expense on loans and bonds	17,315	34,254	17,008	—
Capital lease	305	852	87	—
Trade payables	120,787	—	—	—

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

(euro/000)

Borrowings-maturity	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	17,116	—	—	—	**17,116**
Loans	35,903	6,267	—	—	**42,170**
Other financing	5,207	714	193,645	—	**199,566**
12/31/2015	**58,226**	**6,981**	**193,645**	**—**	**258,852**

USE OF ESTIMATES

The preparation of consolidated financial statements requires making estimates that could affect the carrying value 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, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.

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 values of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Group performs impairment tests 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 (WACC) 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 value 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 analyzed 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. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to

knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

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 recognize deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Comments and the most significant changes in the items compared to the consolidated financial statements for the year ended December 31, 2014 are described hereunder (the amounts are in thousands of euros, unless specified otherwise).

BUSINESS COMBINATIONS

Acquisition of former Sover-M, now called Marcolin-RUS LLC

On December 15, 2014 in Moscow, Marcolin S.p.A. signed a joint-venture agreement with Victoria Chizhova, Founder and General Manager of Sover-M, a long-standing company based in Moscow operating in the Russian eyewear market.

As of December 31, 2014 Marcolin owned 51% of Sover-M, thereby controlling it. The share capital on that date was 306 thousand rubles, and its equity was 130,893 thousand rubles. The financial statements are presented in Russian rubles. On July 10, 2015 the company name was changed to Marcolin-RUS LLC.

Goodwill recognized pursuant to the business combination

Goodwill of euro 610 thousand (as at December 31, 2014) emerged as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the acquired assets and liabilities, resulting from the difference between the euro 1,532 thousand price paid and the corresponding interest in equity of euro 922 thousand, translated at the December 31, 2014 exchange rate.

The goodwill represents the future economic benefits arising from the business combination, due primarily to the company's legacy of expertise and knowledge of the local market.

The joint venture is part of Marcolin's international expansion plan, which by increasing the distribution of its products in Russia to satisfy customer demands, creates the basis for direct, effective management of the Russian market, representing a potential contribution to future profitability and to the generation of cash flows, quantifiable in terms of higher earnings and cash flows.

The fair value of the net assets acquired was determined only provisionally as at December 31, 2014. In 2015 the above business combination was definitively accounted for with respect to the identification and measurement of the assets and liabilities acquired. No changes in the acquired values emerged, so the value of goodwill has remained the same as the provisional value recognized in the previous annual financial statements.

Marcolin S.p.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of and for the years ended December 31, 2015 and 2014

1. PROPERTY, PLANT, AND EQUIPMENT

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

(euro/000)

Property, plant and equipment	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Net value at beginning of 2014	**13,907**	**4,688**	**973**	**3,286**	**103**	**22,957**
Increases	1,361	1,391	1,208	1,558	661	**6,179**
Decreases	50	—	1	(440)	60.00	**(449)**
Depreciation	(1,358)	(979)	(794)	(1,205)	—	**(4,336)**
Translation difference	215	—	50	149	—	**414**
Reclassification	(34)	14	114	(123)	(79)	**(108)**
Net value at end of 2014	**14,141**	**5,114**	**1,552**	**3,225**	**625**	**24,657**
Net value at beginning of 2015	**14,141**	**5,114**	**1,552**	**3,225**	**625**	**24,657**
Increases	2,117	3,398	1,516	1,166	336	**8,533**
Decreases	(1,227)	—	—	(50)	(18)	**(1,295)**
Depreciation	(1,038)	(1,313)	(1,248)	(1,313)	—	**(4,912)**
Translation difference	120	—	65	34	1	**221**
Reclassification	430	—	357	138	(871)	**54**
Net value at end of 2014	**14,543**	**7,199**	**2,242**	**3,200**	**73**	**27,258**

The Group's 2015 capital expenditures totaled euro 8.533 million and regarded mainly the following investments:

- the increase of euro 2.117 million for land and buildings refers primarily to the purchase of the new manufacturing plant in Fortogna;
- plant and machinery purchases of euro 3.398 million refer to industrial plant and machinery purchased by the Parent Company to renew existing production lines and for the new production lines at the new Fortogna factory:
- equipment purchases of euro 1.516 million refer mainly to the Parent Company;
- other purchases totaling euro 1.166 million consist of computer hardware for euro 501 thousand and office furniture for euro 590 thousand;
- the euro 336 thousand increase in assets under construction and advances refers largely to business materials of the American affiliate.

Depreciation is euro 4.912 million and consists of:

- euro 2.625 million recognized in the components of cost of sales;
- euro 1.113 million recognized in distribution and marketing expenses;
- euro 1.174 million recognized in general and administrative expenses.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2015 are shown in the following table:

(euro/000)

Property, plant and equipment	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Undepreciated value	25,536	21,576	16,081	11,027	73	74,294
Accumulated depreciation	(10,993)	(14,377)	(13,839)	(7,827)	—	(47,036)
Net value	**14,543**	**7,199**	**2,242**	**3,200**	**73**	**27,258**

2. INTANGIBLE ASSETS AND GOODWILL

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

(euro/000)

Intangible assets and goodwill	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2014	**1,567**	**25,983**	**1,744**	**46**	**29,341**	**266,833**
Increases	3,633	10	6,792	117	**10,552**	—
Decreases	(16)	—	—	(12)	**(28)**	—
Amortization	(1,143)	(277)	(3,151)	—	**(4,571)**	—
Increases from Business Combination (Sover-M)	—	—	—	—	**—**	610
Translation difference	(141)	1,266	630	107	**1,862**	10,569
Reclassification and other movements	2,907	(14,802)	12,000	(48)	**57**	(2)
Net value at end of 2014	**6,807**	**12,180**	**18,015**	**210**	**37,213**	**278,010**
Net value at beginning of 2015	**6,807**	**12,180**	**18,015**	**210**	**37,213**	**278,010**
Increases	2,966	—	4,346	6,067	**13,380**	—
Decreases	—	—	—	—	**0**	—
Amortization	(2,179)	(287)	(3,576)	—	**(6,043)**	—
Translation difference	530	676	274	7	**1,487**	10,215
Reclassification and other movements	168	(125)	51	(88)	**6**	—
Net value at end of 2014	**8,292**	**12,444**	**19,110**	**6,196**	**46,043**	**288,225**

The increase of euro 13.380 million is attributable mainly to the following:

- euro 2.966 million for software, euro 1.035 million of which refers to the Parent Company and euro 1.822 million to Marcolin USA Eyewear Corp. for new business software and the implementation thereof;
- Other intangible assets include a lump sum paid by the Parent Company to some licensors to extend licenses;
- Assets under formation and advances of euro 6.067 million, of which euro 3.084 million refers to the Parent Company and euro 2.897 million to Marcolin USA Eyewear Corp. regarding amounts paid by the Parent Company and the American subsidiary to some licensors to extend licenses and software classified as assets under formation as at December 31, 2015.

Amortization is euro 6.043 million and consists of:

- euro 70 thousand recognized in the components of cost of sales;
- euro 4.299 million recognized in distribution expenses;
- euro 1.674 million recognized in general and administrative expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2015 are shown in the following table:

(euro/000)

Intangible assets and goodwill	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Undepreciated value	21,399	18,108	35,057	6,196	80,761	288,225
Accumulated depreciation	(13,107)	(5,664)	(15,947)	—	(34,718)	—
Net value	**8,292**	**12,444**	**19,110**	**6,196**	**46,043**	**288,225**

Goodwill is affected exclusively by an increase for translation differences on the component regarding the Viva International acquisition, currently recognized in the financial statements of Marcolin USA Eyewear Corp.

Goodwill was tested for impairment to assess the fairness of the carrying amount as at December 31, 2015.

The recoverable amount of goodwill was estimated using the 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 the Marcolin Group's continuing operation.

The following assumptions were made to determine value in use:

- the cash-generating unit was identified in the Marcolin Group (cash flows from projected operating/ financing activities of Marcolin S.p.A. and its Italian and foreign subsidiaries). The Group's new organizational structure resulting from Viva International integration represents the full integration of all Viva structures into Marcolin; Viva's previous structures lost their identity in the integration process through acquisitions, mergers and business division transfers conducted within the vast international reorganization of the Group, which is now managed as a single unit coordinated by the Parent Company using a centralized model;
- the main data sources used were the Group's 2016 - 2018 business plan projections, the draft financial statements for the year ended December 31, 2015, the 2016 Budget and the 2015 - 2017 business plan[3];
- the terminal value was calculated by capitalizing the available cash flow expected perpetually from 2018 (estimated on the basis of the last year in the business plan, given an increase in the "g" rate from the last year stated), assuming that it will grow at an annual "g" rate of 2.5%, conservatively considering the inflation projections for the countries in which Marcolin is present. The terminal value was adjusted to account for the Parent Company's transfer of the provision for severance indemnities;
- the cash flow discount rate (WACC) is 8.8%, calculated in line with the Capital Asset Pricing Model (CAPM) used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.1%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 9.5%), weighted considering the source 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.

Based on the results of the analysis performed, goodwill did not suffer any impairment losses.

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

- changes in WACC;
- changes in the g rate.

In this case, a half-percentage point increase in WACC would result in a euro 45 million decrease in the enterprise value (given the same g), whereas a half-percentage point decrease in the g rate would result in an euro 42 million decrease in the enterprise value (given the same WACC). Neither case would result in an impairment loss.

In the case of conservative 100 bp reductions of WACC and the g rate, the impairment test and sensitivity analysis results produced recoverable amounts in line with the invested capital presented at December 31, 2015 for the Marcolin Group, without any impairment losses, even considering the combined reduction of such parameters.

In addition, a stress test was performed assuming higher capital expenditures than those budgeted, and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration.

The stress test confirmed that the coverage amounts remain positive, with broad safety margins.

[3] approved by the Parent Company's Board of Directors on February 26, 2015.

Accordingly, it is reasonable to conclude that the carrying value of goodwill stated in the December 31, 2015 financial statements is consistent with its fair value.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for euro 1.8 million and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

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

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in subsidiaries and associates, totaling euro 1.775 million, consist primarily of investments in non-controlled companies of the former Viva group, including euro 719 thousand in Viva Australia (a 50%-owned distributor) and euro 1.056 million in (50%-owned) Viva Mexico.

4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as at December 31, 2015 are euro 26.414 million (euro 31.148 million in 2014), the balance of euro 36.793 million in deferred tax assets and euro 10.379 million in deferred tax liabilities.

The amount is primarily attributable to the Parent Company, for euro 5.854 million (euro 9.555 million in 2014), Marcolin USA Eyewear Corp. for euro 17.190 million (euro 16.273 million in 2014 for the two American companies, Marcolin USA, Inc. and Viva Optique, Inc., which merged and became Marcolin USA Eyewear Corp. in 2015), and Marcolin France sas for euro 1.278 million (same amount in 2014).

The amount refers to:

- euro 17.249 million (euro 2.074 million referring to the Parent Company) 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;
- euro 9.165 million (euro 3.780 million referring to the Parent Company) in deferred tax assets recognized on tax losses generated in periods before 2015. Recognition of deferred tax assets was made possible by the prospect of realizing 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 28, regarding income taxes.

5. OTHER NON-CURRENT ASSETS

The balance at December 31, 2015 is euro 564 thousand (euro 845 thousand in 2014), and refers primarily to prepaid commissions on the Parent Company’s euro 25 million senior revolving credit facility.

6. NON-CURRENT FINANCIAL ASSETS

This item amounted to euro 4.461 million on December 31, 2015, referring primarily to euro 4.300 million for a loan granted by the Parent Company to a third party, on which interest accrues at market rates and whose repayments began in 2013 (with installments until 2022); The current portion receivable, recognized among current financial assets, is euro 948 thousand.

7. INVENTORIES

Inventories are detailed below:

(euro/000)

Inventories	12/31/2015	12/31/2014
Finished goods	117,982	96,745
Raw material	15,337	17,927
Work in progress	16,831	11,633
Net value at end of 2014	**150,150**	**126,305**
Inventory provision	(29,936)	(26,230)
Net inventory	**120,214**	**100,075**

The net value of inventories increased by euro 20.139 million compared to the previous year (the U.S. dollar appreciation accounts for more than euro 4.2 million of this). The increase in closing inventories is due primarily to an increase in finished product inventories, due to the higher sales. The inventory increase is also attributable to the discontinuity represented by products with new brands, particularly Zegna and Pucci, and to the increase in collections offered and models produced. Moreover, the new companies that started operating in 2015 contributed euro 2 million to the inventory increase.

The euro 23.845 million increase in gross inventories is attributable to:

- Finished products, increased by euro 21.237 million due to articles of new collections and with new (mainly luxury) brands to satisfy the order increase, and to the products in stock at the new joint ventures;
- Raw materials and semi-finished goods, decreased by euro 2.590 million, a temporary effect of production management, similarly to the work-in-progress increase;
- Work in progress, incresed by euro 5.198 million, reflecting the greater production needed as a result of the factors described for finished products.

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 provision has fallen as a percentage of gross inventories due to the scrapping of obsolete components.

8. TRADE RECEIVABLES

The composition of the trade receivables is as follows

(euro/000)

Trade receivables	12/31/2015	12/31/2014
Gross trade receivables	91,064	86,374
Provision for bad debts	(5,949)	(5,798)
Net trade receivables	**85,115**	**80,576**

Net trade receivables increased by euro 4.539 million. The trade receivables, increased from those of the prior year, largely affected by the sales increase. Credit quality improved from the previous year. In 2015 the improvement in the average collection period, or "days sales outstanding" (DSO), which had recently slowed down, gained momentum with an improvement of 4 days.

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

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

Receivables not overdue by geographical area	12/31/2015	31.12.2014
		(euro/000)
Italy	16,550	11,382
Rest of Europe	14,852	13,546
North America	19,197	16,516
Rest of World	19,680	23,497
Total	**70,279**	**64,941**

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

Ageing analysis of trade receivables not protested	Gross	Provision	Net value
			(euro/000)
December 31, 2014			
Not past due	64,941	(34)	64,907
Past due by less than 3 months	11,336	(428)	10,909
Past due by 3 to 6 months	3,762	(573)	3,189
Past due by more than 6 months	3,482	(2,178)	1,304
Total	**83,521**	**(3,213)**	**80,308**
December 31, 2015			
Not past due	70,279	(20)	70,259
Past due by less than 3 months	11,407	(962)	10,445
Past due by 3 to 6 months	3,118	(464)	2,654
Past due by more than 6 months	2,962	(1,212)	1,750
Total	**87,766**	**(2,658)**	**85,108**

In some markets in which 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	12/31/2015	12/31/2014
		(euro/000)
Past due by less than 3 months	3,821	10,324
Past due by more than 6 months	694	4,212
Total	**4,515**	**14,536**

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	Gross value	Provision	Net value
			(euro/000)
December 31, 2014			
Past due by less than 12 months	139	(98)	41
Past due by more than 12 months	2,714	(2,487)	227
Total	**2,853**	**(2,586)**	**268**
December 31, 2015			
Past due by less than 12 months	112	(80)	32
Past due by more than 12 months	3,252	(3,211)	41
Total	**3,364**	**(3,291)**	**73**

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

Provision for doubtful debts	12/31/2015	12/31/2014
		(euro/000)
Opening amount	5,798	5,991
Provisions	665	494
Use/reversal	(523)	(660)
Reclassification and others	27	(371)
Translation difference	(19)	344
Period end Total	**5,948**	**5,798**

The provision for doubtful debts increased by euro 150 thousand from the prior year. The provision is deemed adequate for presenting receivables at their estimated realizable value given their composition and age and the related guarantees.

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

9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

Other receivables	12/31/2015	12/31/2014
		(euro/000)
Tax credits	9,016	8,414
Other receivables	4,871	3,660
Other	1,505	2,025
Total other receivables	**15,392**	**14,099**

This item, euro 15.392 million (euro 14.099 million in 2014), presents an increase of euro 1.293 million from the prior year.

As noted, in 2014 Marcolin S.p.A. and Italian companies Eyestyle Retail and Eyestyle.com (the latter two companies were merged directly into Marcolin S.p.A. on December 1, 2015) adopted the Italian tax consolidation regime for corporate income tax (IRES) purposes, which recognizes 3 Cime S.p.A. as the ultimate parent company. The balance of other receivables consists mainly of receivables of euro 3.285 million due from 3 Cime S.p.A. for the tax consolidation income accrued on the annual tax losses considered recoverable.

Tax credits increased by euro 602 thousand mainly on account of the higher VAT credit reported by the Parent Company near the end of the year.

10. CURRENT FINANCIAL ASSETS

This item, euro 1.022 million at December 31, 2015 (euro 2.042 million in 2014), includes the euro 948 thousand portion currently due on a loan granted by the Parent Company to a third party on which interest accrues at market rates, and whose repayments began in 2013 (with installments until 2022), and the euro 74 thousand mark-to-market adjustment of the hedging instruments used by the Parent Company.

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.

It increased by euro 3.449 million in the period. The change in this item is described in the Consolidated Statement of Cash Flows, which provides information on the 2015 movements in cash and cash equivalents.

12. EQUITY

The Parent Company's share capital is euro 32,312,475 and is composed of 61,458,375 ordinary shares without par value.

The composition of share capital did not change in 2015.

The consolidated statement of changes in equity provides more detailed information on this item.

13. NON-CURRENT FINANCIAL LIABILITIES

This item, euro 200.626 million, was euro 199.152 million at the end of 2014; it has increased by euro 1.474 million.

The difference is due primarily to a net decrease in financial payables of euro 54 thousand, euro 1.528 million for the annual deferred transaction cost on the bond issue (under the amortized cost method), and reclassification to current financial liabilities of loan balances whose repayment became due within the next 12 months.

The liability consists mainly of the bond notes issued by the Parent Company, subscribed for a nominal euro 200 million in 2013.[4]

The notes issued, maturing in 2019, were classified as medium/long-term liabilities, and the related payable was accounted for in accordance with IAS 39 (amortized cost) in order to defer the transaction costs pertaining to future periods and to recognize them with the effective interest rate method.

As noted, within the scope of the refinancing transaction, a super senior revolving credit facility was granted, for a maximum amount of euro 25 million, by Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., UniCredit S.p.A. and Goldman Sachs, to be used for ordinary cash flow demands. The credit facility had used for euro 25 million at the end of 2015. With respect to this financing, costs totaling euro 635 thousand were deferred, including euro 108 thousand pertaining to 2015, for a total amount of euro 418 thousand in costs deferred so far.

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[4] The notes, which have a six-year maturity and provide for voluntary early redemption, were issued in a single tranche on November 14, 2013. The key features are summarized below:

Purchasers: the notes may be offered and placed (1) in the United States, solely with qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act; (2) in Europe and in Italy solely with qualified investors pursuant to Directive 2003/71/EC, as subsequently amended and integrated, Italian Legislative Decree 58/1998 and CONSOB Regulation 11971/1999 for Issuers, unless in circumstances which are exempt from public offer rules.

Listing: (1) on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and (2) with Borsa Italiana S.p.A. for trading on the extramot pro multilateral trading facility.

Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.

Maturity Date: November 15, 2019.

Form: notes issued in registered form represented by (1) a global certificate representing the notes issued pursuant to Regulation S of the 1933 U.S. Securities Act, and (2) a global certificate representing the notes issued pursuant to Rule 144A of the 1933 U.S. Securities Act.

Interest Rate: annual fixed rate of 8.5% (eight point five percent), payable semi-annually.

Interest Payment Dates: May 15 and November 15 of each year, from May 15, 2014 to the maturity date.

	Currency	Original amount (euro)	Residual amount (euro)	Maturity date	Interest rate	Notes
BOND	euro	200,000,000	200,000,000	11/14/2019	8.5%	Bond issued the 14th November 2013 - Half-yearly interests in 15th of May and 15th of November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro	25,000,000	25,000,000	06/03/2019	Euribor 1/2/3 months + spread 4%	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 - signed the 18th November 2013
Unicredit S.p.A.	euro	5,000,000	3,750,000	12/31/2018	Euribor 3 months + spread	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015
Banca Popolare FriulAdria S.p.A.	euro	3,000,000	2,269,417	03/04/2018	Euribor 3 months + spread	Loan granted on March 4, 2015, repayable in 12 quarterly installments from June 4, 2015
Banco Popolare s.c.r.l.	euro	1,500,000	1,375,000	09/30/2018	Euribor 3 months + spread	Loan granted on September 16, 2015, repayable in 12 quarterly installments from December 31, 2015
Banca Popolare di Vicenza s.c.p.a.	euro	2,500,000	2,500,000	12/31/2018	Euribor 3 months + spread	Loan granted on December 23, 2015, repayable in 12 quarterly installments from March 31, 2016
BCC delle Prealpi Soc. Coop.	euro	1,000,000	1,000,000	12/31/2016	Euribor 6 months + spread	Loan granted on December 10, 2015, repayable in monthly installments from January 10, 2016
Ministry of productive activities (technological innovation)	euro	793,171	82,959	06/26/2016	1.0%	Subsidized loan obtained under the law 46/82, repayable in 10 annual installments from June 26, 2007

For the sake of exhaustive disclosure, the net financial position is set forth below.

Net financial position / (indebtedness)	12/31/2015	12/31/2014
		(euro/000)
Cash and cash equivalents	40,382	36,933
Financial assets	5,483	7,497
Current financial liabilities	(54,678)	(40,021)
Current portion of non-current financial liabilities	(3,548)	(1,332)
Non-current financial liabilities	(200,626)	(199,152)
Total	**(212,987)**	**(196,075)**

In additional to the commitments described subsequently (see Note 20), for the revolving credit facility, commitments to comply with financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. According to an analysis conducted at the time of preparation of this report, all the covenants were complied with as at December 31, 2015.

14. NON-CURRENT PROVISIONS

This item amounts to euro 8.703 million (euro 8.919 million in 2014), a decrease of euro 216 thousand.

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

(euro/000)

Long term provision	Provision for severance employee indemnities	Provision for agency terminations	Provision for other risks	Total
12/31/2014	**3,678**	**1,690**	**3,551**	**8,919**
Allowances	42	815	1,200	2,057
Use / reversal	(118)	(1,567)	(909)	(2,594)
Actuarial loss / (gain)	(134)	(48)	—	(182)
Translation difference	—	(61)	282	221
Other changes	(20)	513	(211)	282
12/31/2015	**3,448**	**1,342**	**3,913**	**8,703**

The employee severance indemnity provision (“TFR”) recognized in the Parent Company’s financial statements for euro 3.448 million[5], was measured with an actuarial calculation at the end of the year.[6]

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 reasonably possible at that date, in absolute terms:

Sensitivity analysis	DBO* at 12/31/2015
Inflation rate +0.25%	3,493
Inflation rate - 0.25%	3,407
Actuarial rate +0.25%	3,381
Actuarial rate - 0.25%	3,520
Turnover rate -1%	3,430
Turnover rate +1%	3,471

* Defined Benefit Obligation

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

Next year service cost Vesting period	
2016 Service cost	—
Vesting period	8.70

- payments foreseen under the plan:

Years	Payments foreseen
1	355
2	236
3	246
4	210
5	224

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

[5] The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 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.

[6] 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: 1.39%; 6) TFR growth rate: 2.63% for 2016, 2.9% for 2017, 2.8% for 2018, 2.7% for 2019, 3% for 2020 on; 7) inflation rate: 1.5% for 2016, 1.8% for 2017, 1.7% for 2018, 1.6% for 2019, 2% for 2020 on.

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 period the amount of other non-current liabilities was euro 5.757 million (compared to the euro 4.742 million of 2014), an increase of euro 1.015 million year on year, primarily concerning other non-trade payables due after 12 months by Marcolin USA Eyewear Corp.

16. TRADE PAYABLES

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

(euro/000)

Trade payables by geographical area	12/31/2015	12/31/2014
Italy	35,278	30,654
Rest of Europe	10,437	9,946
North America	20,977	19,047
Rest of World	54,095	42,675
Total	**120,787**	**102,322**

The euro 18.465 million increase in trade payables is attributable to the inventory increase of the end of the year.

The average payment period for suppliers, or days payable outstanding (DPO), improved considerably thanks to initiatives taken to improve contractual conditions with suppliers.

The recognized 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 on December 31, 2015 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

The current financial liabilities amount to euro 58.226 million (compared to the euro 41.353 million of 2014), an increase of euro 16.873 million year on year.

The item includes:

- euro 53.020 million in short-term borrowings from banks (euro 35.532 million in 2014);
- euro 2.584 million due to other financiers, primarily the interest accrued on the bond notes;
- euro 2.622 million in other financial payables due within 12 months, including euro 1.837 million for financial liabilities with the HVHC, Inc. group for the acquisition of Viva, owed by Marcolin USA Eyewear Corp

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

(euro/000)

Borrowings-maturity	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	17,116	—	—	—	**17,116**
Loans	35,903	6,267	—	—	**42,170**
Other financiers	5,207	714	193,645	—	**199,566**
12/31/2015	**58,226**	**6,981**	**193,645**	**—**	**258,852**

The disclosures regarding the hedges in place on December 31, 2015 are presented below. All the agreements in effect were stipulated by the Parent Company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss

During the year, the Parent Company stipulated derivative contracts regarding the U.S. dollar exchange rate with some banks to mitigate the risk of exchange rate variability, some of which were still in effect on the reporting date.

The fair value of such instruments on December 31, 2015 was a positive euro 74 thousand.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on purchases from suppliers 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.

On the reporting date, no derivatives to hedge against interest rate risk were in place.

18. CURRENT PROVISIONS

The following table presents the most significant changes of the year:

(euro/000)

Current provisions	Provisions for sales returns	Other provisions	Total
12/31/2014	**13,686**	**1,113**	**14,799**
Allowances	245	68	313
Use /reversal	(4,837)	(564)	(5,401)
Actuarial loss / (gain)	—	—	—
Translation difference	925	66	991
Other changes	(130)	(259)	(390)
12/31/2015	**9,889**	**424**	**10,312**

The provisions for sales returns reflect the estimate made, on the basis of the best available information, of potential losses emerging on product returns from customers and product warranties, for euro 9.889 million.

Apart from the Parent Company, the provisions were reported mainly by Marcolin USA Eyewear Corp and Marcolin France Sas.

The other provisions, which totaled euro 424 thousand, refer to potential risks originating mainly from legal obligations.

19. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

(euro/000)

Other current liabilities	12/31/2015	12/31/2014
Payables to personnel	13,598	11,073
Social security payables	2,960	2,276
Other accrued expenses and deferred income	1,597	478
Total	**18,155**	**13,827**

The other current liabilities consist primarily of euro 13.598 million due to personnel (euro 11.073 million in 2014) and euro 2.960 million in social security (euro 2.276 million in 2014).

20. COMMITMENTS AND GUARANTEES

Guarantees associated with the bond issue

With a notarial deed dated October 31, 2013, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal euro 200,000,000 were established.

The notes are secured by collateral provided by Marcolin S.p.A. (the "Issuer"), controlling shareholder Marmolada S.p.A. and some subsidiaries of the Issuer for the exact amount of the payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- a pledge over the Issuer's intellectual property rights;
- a security assignment over insurance policy receivables due to the Issuer;
- a security assignment over trade receivables due to the Issuer;
- a security assignment over receivables due to the Issuer by the former Marcolin USA, Inc. (now Marcolin USA Eyewear Corp.) originating from loans granted to provide the company with the financing necessary to pay the purchase price/acquire the share capital of Viva Optique Inc.;
- a pledge over all Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all Marcolin (Deutschland) Gmbh shares owned by the Issuer;
- a pledge over all the Issuer's shares of Marcolin U.S.A. Eyewear Corp (formerly Viva Optique Inc.), which on December 18, 2014 absorbed companies Marcolin USA Inc, Viva Europa Inc., Viva International Inc., and Viva Ip Corp, whose shares have all the previous pledges and security agreements assumed by Marcolin U.S.A. Eyewear Corp, i.e.:
    - a pledge over all Marcolin USA, Inc. shares owned by the Issuer;
    - a pledge over all Marcolin USA, Inc.'s shares of Viva Optique Inc., directly controlled by Marcolin USA, Inc.;
    - a pledge over 65% of the shares of Viva Europa Inc., controlled indirectly by the Issuer, through Viva Optique Inc.;
    - a pledge over 65% of the shares of Viva Eyewear Ltd (UK), controlled indirectly by the Issuer, through Viva Europa Inc.;
    - a security agreement over all material assets of Marcolin USA, Inc;
    - a security agreement over all material assets of Viva Optique, Inc.

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2015 these future commitments amounted to euro 329.424 million (euro 323.395 million in 2014), including euro 66.041 million falling due within the next year.

(euro/000)

Guaranteed minimum Royalties due	12/31/2015	12/31/2014
Within one year	66,041	57,464
In one to five years	224,359	222,444
After five years	39,024	43,487
Total	**329,424**	**323,395**

Rent and leases

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

(euro/000)

Commitments	12/31/2015	12/31/2014
Rent due		
Within one year	3,582	2,053
In one to five years	8,340	3,826
After five years	7,410	1,266
Total	**19,332**	**7,145**
Operating lease payments		
Within one year	490	961
In one to five years	662	514
After five years	—	—
Total	**1,152**	**1,475**
Total commitments	**20,484**	**8,620**

The rent commitments refer mainly to the office leases of the American company.

The Group also has guarantees for third parties of euro 152 thousand (euro 162 thousand in 2014).

MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statement results are presented in comparison with the 2014 results.

21. NET REVENUES

The following table sets forth the 2015 net revenues by geographical area:

(euro/000)

Net revenues by geographic segment	2015		2014		Increase (decrease)	
	Turnover	% of total	Turnover	% of total	Turnover	Change
Italy	*26,555*	*6.1%*	*21,223*	*5.9%*	*5,332*	*25.1%*
Rest of Europe	*103,303*	*23.8%*	*94,297*	*26.0%*	*9,006*	*9.6%*
Europe	129,858	29.9%	115,520	31.9%	14,338	12.4%
U.S.A.	188,798	43.4%	149,536	41.3%	39,262	26.3%
Asia	38,573	8.9%	28,137	7.8%	10,436	37.1%
Rest of World	77,613	17.8%	68,940	19.0%	8,673	12.6%
Total	**434,842**	**100.0%**	**362,133**	**100.0%**	**72,709**	**20.1%**

The 2015 net revenues are euro 434.842 million, compared to euro 362.133 million in 2014.

22. COST OF SALES

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

(euro/000)

Cost of sales	2015	% of net revenues	2014	% of net revenues
Purchase of materials and finished products	146,442	33.7%	125,668	34.7%
Changes in inventories	(17,874)	(4.1)%	(25,398)	(7.0)%
Cost of personnel	20,246	4.7%	19,480	5.4%
Outsourced processing	11,773	2.7%	10,478	2.9%
Amortization, depreciation and writedowns	2,694	0.6%	2,091	0.6%
Other costs	15,700	3.6%	13,041	3.6%
Total	**178,981**	**41.2%**	**145,360**	**40.1%**

The cost of sales is euro 178.981 million, compared to euro 145.360 for 2014. The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of the 2015 distribution and marketing expenses:

(euro/000)

Distribution and marketing expenses	2015	% of net revenues	2014	% of net revenues
Cost of personnel	63,188	14.5%	59,152	16.3%
Commissions	11,034	2.5%	9,831	2.7%
Amortization	5,511	1.3%	4,828	1.3%
Royalties	53,616	12.3%	44,391	12.3%
Advertising and PR	31,318	7.2%	23,845	6.6%
Other costs	34,931	8.0%	27,203	7.5%
Total	**199,598**	**45.9%**	**169,250**	**46.7%**

They amount to euro 199.598 million, against euro 169.250 million for 2014.

The personnel expenses include non-recurring costs of euro 592 thousand deriving from *ad-personam* agreements referring to changes in certain positions, and costs for reorganizing the business functions.

With respect to advertising and public relations ("PR") expenses, the Group continued to invest in advertising and marketing to promote the brands it handles, including both portfolio and house brands. Although in some cases the volumes were not at full capacity, Marcolin is aware of the importance of ongoing advertising and promotional support, so it maintained its level of advertising expense planned in 2015 to foster the sales of the brands in the portfolio.

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 payments;
- travel expenses;
- telephone and insurance expenses;
- entertainment expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are set forth below:

(euro/000)

General and administrative expenses	2015	% of revenues	2014	% of revenues
Cost of personnel	14,107	3.2%	12,685	3.5%
Writedown of receivables	660	0.2%	494	0.1%
Amortization and writedowns	2,749	0.6%	2,039	0.6%
Other costs	14,497	3.3%	16,493	4.6%
Total	**32,013**	**7.4%**	**31,711**	**8.8%**

The 2015 general and administrative expenses amount to euro 32.013 million, against euro 31.711 million for 2014.

The other costs include:

- 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;
- other general and administrative expenses (sundry purchases, telephone expenses, insurance, travel expenses, rent and rentals).

25. EMPLOYEES

The 2015 end-of-period and average number of employees of the various Group companies (including the work force on temporary contracts) is broken down below in comparison with the previous year:

Employees Category	Final number		Average number	
	12/31/2015	12/31/2014	2015	2014
Managers	63	57	65	61
Staff	931	868	903	877
Manual workers	715	658	659	562
Total	**1,709**	**1,583**	**1,627**	**1,500**

26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

(euro/000)

Other operating income and expenses	2015	% of revenues	2014	% of revenues
Transport refund	2,984	0.7%	3,069	0.8%
Release of provision	246	0.1%	146	0.0%
Other income	839	0.2%	1,713	0.5%
Total other operating income	**4,069**	**0.9%**	**4,928**	**1.4%**
Losses on receivables	—		—	
Other expenses	(202)		(808)	
Total other operating expenses	**(202)**	**0.0%**	**(808)**	**(0.2%)**
Total operating income and expenses	**3,867**	**0.9%**	**4,120**	**1.1%**

The balance of this item is net operating income of euro 3.867 million.

The other income consists mainly of euro 392 thousand charged to clients for advertising materials, other charges to clients, contingent gains (unrealized costs regarding previous periods, costs that were less than the amount originally estimated for them) and insurance compensation.

The other operating expenses, down considerably from the previous amount, refer primarily to the lump sum paid by Marcolin USA Eyewear Corp. for Viva integration expenses.

27. FINANCIAL INCOME AND COSTS

The financial income and costs are presented below:

(euro/000)

Financial income and costs	2015	2014
Financial income	20,347	18,203
Financial costs	(40,895)	(31,033)
Total	**(20,548)**	**(12,830)**

The composition of financial income is shown below:

(euro/000)

Financial income	2015	2014
Interest income	—	—
Other income	640	634
Gains on currency exchange	19,707	17,569
Total	**20,347**	**18,203**

The composition of finance costs is shown below:

(euro/000)

Financial costs	2015	2014
Interest expense	(21,485)	(20,944)
Financial discounts	(2,201)	(2,029)
Losses on currency exchange	(17,209)	(8,060)
Total	**(40,895)**	**(31,033)**

Financial income and costs result in net finance costs of euro 20.548 million.

This item, the balance between costs of euro 40.895 million and income of euro 20.347 million, was influenced by the following components:

- gains on currency exchange of euro 19.707 million, consisting of euro 4.914 million realized and euro 14.793 million referring to end-of-period translation differences on trade and financial accounts in foreign currency, mainly the adjustment to a receivable due to Marcolin S.p.A. from Marcolin USA Eyewear Corp. denominated in U.S. dollars, which increased due to the appreciation of the U.S. dollar;
- interest expense of euro 21.485 million, comprising euro 17.0 million on the bond notes issued by Marcolin S.p.A., paid semiannually in May and November, euro 1.488 million for the reversal of bond issue transaction costs, accounted for under IFRS with the financial method of amortized cost over the life of the bond notes (maturing November 2019), euro 2.971 million in net interest costs (euro 2.032 million referring to the Parent Company, Marcolin S.p.A., and euro 939 thousand referring to subsidiaries) regarding to bank interest expense and actualization differences;
- financial discounts of euro 2.201 million, nearly entirely attributable to foreign subsidiaries;
- losses on currency exchange of euro 17.209 million, consisting of euro 8.855 million realized and euro 8.354 million referring to end-of-period translation differences on trade and financial accounts in foreign currency.

28. INCOME TAX EXPENSE

Income taxes are euro 10.082 million, including current taxes of euro 2.161 million, deferred taxes of euro 6.671 million, tax consolidation expense of euro 476 thousand and tax referring to the previous period of euro 774 thousand.

(euro/000)

Income tax expense	12/31/2015	12/31/2014
Current taxes	(2,161)	(4,254)
Deferred taxes	(6,671)	(5,795)
Income/(Expenses) from Tax Consolidation	(476)	2,596
Taxes relating to prior year	(774)	758
Total	**(10,082)**	**(6,695)**

The Parent Company's current taxes of 2015 are euro 597 thousand, and those of foreign subsidiaries are euro 1.564 million. The Parent Company's deferred taxes are euro 3.871 million, and those of foreign subsidiaries are euro 2.800 million.

The tax consolidation expense refers entirely to the amount due by the Parent Company to 3 Cime S.p.A.

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.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq.* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.

From the current year to December 31, 2016, the tax consolidation regime will enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Deferred tax amounts and the changes therein are presented in the following tables:

(euro/000)

Deferred tax assets	Temporary differences 12/31/2015	Tax on temporary differences 12/31/2015	Temporary differences 12/31/2014	Tax on temporary differences 12/31/2014
Accumulated tax losses	28,677	9,166	40,458	12,438
Grants and compensation deductible on a cash basis	23,486	8,326	24,242	8,977
Inventory provisions	24,972	8,125	20,474	7,029
Provision for return risks	7,799	2,815	11,618	4,404
Intangible assets subject to taxation	14,677	5,412	8,090	2,993
Taxed provision for doubtful debts	3,088	955	3,500	1,120
Unrealized currency exchange differences	2,224	633	2,538	705
Income from CFC (controlled foreign companies)	2,098	504	2,098	577
Non-deductible temporary amortization	1,676	618	(1,029)	(392)
Supplementary client indemnity provision	538	145	978	307
Other	183	45	879	329
Provisions for risks and charges	155	49	155	49
Total deferred tax assets	**109,573**	**36,793**	**114,001**	**38,536**

(euro/000)

Deferred tax liabilities	Temporary differences 12/31/2015	Tax on temporary differences 12/31/2015	Temporary differences 12/31/2014	Tax on temporary differences 12/31/2014
Unrealized currency exchange differences	(12,408)	(3,403)	(12,951)	(3,558)
Property, plant and equipment and intangible assets	(7,655)	(2,591)	(9,363)	(15)
Equity-method accounting of JV and other equity investments	(9,557)	(3,823)	(8,665)	(2,946)
Finance costs deducted on a cash basis	(6,703)	(1,658)	(8,069)	(2,219)
Other	(2,001)	(805)	(689)	53
Discounting of receivables/payables to present value	(549)	(202)	(598)	(197)
Actuarial gain / losses on TFR under IAS	(598)	16	(460)	53
Intercompany profit	6,073	2,089	4,592	1,442
Total deferred tax liabilities	**(33,399)**	**(10,378)**	**(36,204)**	**(7,387)**
Total deferred assets / liabilities	**76,174**	**26,415**	**77,797**	**31,148**

29. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by uniform category in the table below, which presents their fair value in accordance with IFRS 7.

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

The hedging agreements used by the Group are classified as O.T.C. (over-the-counter) instruments, so they do not have a public price available on official exchange markets. Discounted cash flow models were used to measure such derivatives.

(euro/000)

Categories of financial assets	Trade receivables	Financial assets	Cash and cash equivalents
2015			
Loans and other financial receivables	85,115	5,483	40,382
Financial assets at fair value through P&L	—	—	—
Held to maturity investments	—	—	—
Financial assets available for sale	—	—	—
Total	**85,115**	**5,483**	**40,382**

(euro/000)

Categories of financial liabilities	Trade payables	Financial liabilities	Bond
2015			
Financial liabilities at fair value through P&L	—	—	—
Derivatives used for hedging	—	—	—
Other financial liabilities and amortized cost	120,787	62,056	195,552
Liabilities as under IAS 17	—	1,244	—
Total	**120,787**	**63,300**	**195,552**

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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 2015 have to do with the Viva group integration and reorganization activities.

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 2015 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, during the year transactions took place with the equity-accounted associates and other related parties.

They were of a trade nature, conducted on an arm's length basis; the related-party transactions regarded licensing agreements in particular.

The transactions and outstanding balances with respect to related parties as at December 31, 2015 are shown below, as required by IAS 24:

(euro/000)

Company	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Tod's S.p.A	2,268	597	916	236	Related party
Pai Partners Sas	—	2	81	—	Related party
Top Management	—	1	—	—	Related party
Coffen Marcolin Family	664	0	42	—	Related party
O.T.B. Group	2,451	243	1,701	11	Related party
3 Cime S.p.A.	—	—	—	3,285	Consolidating
Total	**5,383**	**843**	**2,739**	**3,532**	

All related party transactions are carried out at arm's length.

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

(euro/000)

	2015			2014		
	Board of Directors	Statutory Auditors	Other	Board of Directors	Statutory Auditors	Other
Base fee	389	100	—	389	100	—
Salaries and benefits	668	—	—	674	—	—
Total	**1,057**	**100**	**—**	**1,063**	**100**	**—**

Other information pursuant to Italian Civil Code Article 2427, point 6 bis

The following table presents the 2015 fees of the auditing firm, Pricewaterhouse Coopers S.p.A., for audit services performed by that firm, as required under Italian Civil Code Article 2427, point 6 *bis*.

(euro/000)

Audit and other services	Amount
Audit	170
Other consulting services	8
Total	**178**

SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates.

Segment reporting is based on aggregation by geographical area according to the location of the Group's companies.

Accordingly, the sales by geographical segment refer to the source of the sales rather than to the end market.

(euro/000)

Segment reporting	ITALY		FRANCE		REST OF EUROPE	
	2015	2014	2015	2014	2015	2014
Net revenues	205,659	150,531	32,979	37,145	55,324	50,337
Intersegment revenues	—		—	—	—	—
Net revenues third parties	205,659	150,531	32,979	37,145	55,324	50,337
Gross profit	78,904	66,415	16,259	21,654	26,292	24,241
In % of net revenues	38.4%	44.1%	49.3%	58.3%	47.5%	48.2%
Operating profit	6,232	9,915	(266)	558	1,122	13,366
Interest in P / (L) of equity-accounted associates	3,403	—	—	—	4	—
Assets	631,071	590,806	18,250	17,696	61,792	46,980
Investments in Associates	—	—	—	—	14	(4,208)
Liabilities	(420,817)	(376,806)	(16,046)	(13,457)	(17,121)	(15,411)
Capital expenditure	18,835	14,382	5	4	316	241
Amortization and depreciation	(7,652)	(5,952)	(209)	(434)	(1,225)	(385)
Other non cash items	(861)	2,585	211	(446)	(345)	(779)

(euro/000)

Segment reporting	NORTH AMERICA		OTHER & CONSOLIDATION		MARCOLIN GROUP	
	2015	2014	2015	2014	2015	2014
Net revenues	194,875	158,059	(53,995)	(33,938)	434,842	362,133
Intersegment revenues	—	—	—		—	—
Net revenues third parties	194,875	158,059	(53,995)	(33,938)	434,842	362,133
Gross profit	115,050	82,404	19,355	22,059	255,861	216,773
In % of net revenues	59.0%	52.1%	-35.8%	-65.0%	58.8%	59.9%
Operating profit	17,036	(3,612)	3,993	(296)	28,117	19,932
Interest in P / (L) of equity-accounted associates	118	192	(3,525)	(192)	—	—
Assets	271,663	338,139	(315,532)	(373,304)	667,244	620,318
Investments in Associates	821	951	(821)	3,257	14	
Liabilities	(200,572)	(176,415)	217,236	184,584	(437,321)	(397,505)
Capital expenditure	1,837	1,403	919	702	21,913	16,732
Amortization and depreciation	(2,786)	(4,214)	258	1,533	(11,613)	(9,452)
Other non cash items	(169)	(3,148)	(854)	4,366	(2,017)	2,578

No secondary segments were identified.

INDEPENDENT AUDITORS REPORT

To the sole shareholder of
Marcolin SpA

1 We have audited the consolidated financial statements of Marcolin SpA (the "Company" and together with its subsidiaries the "Marcolin Group") which comprise the consolidated statement of financial position as of December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and related explanatory notes (the "**Consolidated Financial Statements**"). The directors of the Company are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**"). Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The Consolidated Financial Statements present, for comparative purposes, the prior year financial figures. As illustrated in the notes, the directors restated some comparative figures related to the prior year, in respect to the figures previously presented which were audited by us and on which we issued our report dated April 18, 2014. The methods used to restate the comparative figures and the disclosures presented in the notes have been examined by us for the purpose of expressing our opinion on the Consolidated Financial Statements.

3 In our opinion, the consolidated financial statements of the Marcolin Group as of December 31, 2014 and for the year then ended comply with EU IFRS; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result on operations and cash flows of the Marcolin Group as of December 31, 2014 and for the year then ended.

Bologna, April 22, 2015

PricewaterhouseCoopers SpA

/s/ Edoardo Orlandoni

Edoardo Orlandoni
(Partner)

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2014 and 2013

(euro/000)

	Notes	12/31/2014	12/31/2013 Restated *
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*1*	24,657	22,957
Intangible assets	*2*	37,213	29,341
Goodwill	*2*	278,010	266,833
Investments in subsidiaries and associates	*3*	1,877	2,030
Deferred tax assets	*4*	38,536	31,060
Other non-current assets	*5*	845	870
Non-current financial assets	*6*	5,455	7,132
Total non-current assets		**386,593**	**360,223**
CURRENT ASSETS			
Inventories	*7*	100,075	68,301
Trade receivables	*8*	80,576	71,827
Other current assets	*9*	14,099	13,994
Current financial assets	*10*	2,042	1,759
Cash and cash equivalents	*11*	36,933	38,536
Total current assets		**233,725**	**194,417**
TOTAL ASSETS		**620,318**	**554,640**
EQUITY	*12*		
Share capital		32,312	32,312
Additional paid-in capital		151,994	151,994
Legal reserve		3,853	3,853
Other reserves		50,447	43,638
Retained earnings (losses)		(17,086)	(4,811)
Profit (loss) for the year		407	(12,011)
Non-controlling interests		886	—
TOTAL EQUITY		**222,813**	**214,975**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	*13*	199,152	195,891
Non-current provisions	*14*	8,919	18,287
Deferred tax liabilities	*4*	7,387	1,127
Other non-current liabilities	*15*	4,742	3,954
Total non-current liabilities		**220,200**	**219,259**
CURRENT LIBILITIES			
Trade payables	*16*	102,322	65,263
Current financial liabilities	*17*	41,353	17,707
Current provisions	*18*	14,799	21,287
Tax liabilities	*28*	5,004	4,640
Other current liabilities	*19*	13,827	11,509
Total current liabilities		**177,305**	**120,406**
TOTAL LIABILITIES		**397,505**	**339,665**
TOTAL LIABILITIES AND EQUITY		**620,318**	**554,640**

(*) Some values of the 2013 consolidated financial statements of the Marcolin Group have been restated with respect to those previously published as a result of completion of the purchase price allocation process for the Viva group, which was acquired on December 3, 2013.

Marcolin S.p.A.
CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2014 and 2013

(euro/000)

	Notes	2014	%	2013	%
NET REVENUES	*21*	**362,133**	**100.0%**	**212,327**	**100.0%**
COST OF SALES	*22*	**(145,360)**	**(40.1)%**	**(81,883)**	**(38.6)%**
GROSS PROFIT		**216,773**	**59.9%**	**130,444**	**61.4%**
DISTRIBUTION AND MARKETING EXPENSES	*23*	**(169,250)**	**(46.7)%**	**(101,688)**	**(47.9)%**
GENERAL AND ADMINISTRATIVE EXPENSES	*24*	**(31,711)**	**(8.8)%**	**(20,707)**	**(9.8)%**
Other operating income / expenses:	*26*				
- other operating income		4,928	1.4%	3,222	1.5%
- impairment / reversals of equity investments		206	0.1%	120	0.1%
- other operating expenses		(1,014)	(0.3)%	(1,432)	(0.7)%
TOTAL OPERATING INCOME / EXPENSES		**4,120**	**1.1%**	**1,910**	**0.9%**
OPERATING INCOME - EBIT		**19,932**	**5.5%**	**9,959**	**4.7%**
Financial income and costs:	*27*				
- financial income		18,203	5.0%	2,886	1.4%
- financial costs		(31,033)	(8.6)%	(24,655)	(11.6)%
TOTAL FINANCIAL INCOME AND COSTS		**(12,830)**	**(3.5)%**	**(21,769)**	**(10.3)%**
PROFIT / (LOSS) BEFORE TAXES		**7,102**	**2.0%**	**(11,810)**	**(5.6)%**
Income tax expense	*28*	(6,695)	(1.8)%	(201)	(0.1)%
Profit attributable to non-controlling interests		—	0.0%	—	0.0%
NET PROFIT / (LOSS) FOR THE YEAR		**407**	**0.1%**	**(12,011)**	**(5.7)%**

(euro/000)

	2014	2013
NET PROFIT / (LOSS) FOR THE YEAR	**407**	**(12,011)**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes of euro 90 thousand	(236)	122
Other effects	(264)	
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(500)**	**122**
Other items that will be subsequently reclassified to profit or loss		
Change in foreign currency translation reserve	7,045	(2,592)
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**7,045**	**(2,592)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**6,952**	**(14,481)**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2014 and 2013

(euro/000)

				Other reserves							
	Share capital	Additional paid-in capital	Legal Reserve	S.holders deposit in s/ capital	Other reserves	Retained earnings/ (losses)	Profit/ (loss) for the year	Period result	Capital and reserves net total	Non-controlling interests in equity	Total
As of December 31, 2012	**1,200**	**159,660**	—	—	—	—	—	**(4,811)**	**156,049**	—	**156,049**
Capital increase of February 6, 2013	—	—	—	27,300	—	—	—	—	27,300	—	**27,300**
Allocation of 2012 profit	—	—	—	—	—	—	(4,811)	4,811	—	—	**—**
Merger impact	31,112	(7,666)	3,853	(27,300)	—	—	—	—	(1)	—	**(1)**
Capital increase of November 29, 2013	—	—	—	24,000	—	—	—	—	24,000	—	**24,000**
Capital increase of December 3, 2013	—	—	—	22,108	—	—	—	—	22,108	—	**22,108**
- Period result	—	—	—	—	—	—	—	(12,011)	*(12,011)*	—	***(12,011)***
- Other components of comprehensive income	—	—	—	—	*(2,592)*	*122*	—	—	*(2,470)*	—	***(2,470)***
Total comprehensive income	—	—	—	—	(2,592)	122	—	(12,011)	(14,481)	—	**(14,481)**
As of December 31, December 2013	**32,312**	**151,994**	**3,853**	**46,108**	**(2,592)**	**122**	**(4,811)**	**(12,011)**	**214,975**	**—**	**214,975**
									—	—	**—**
Allocation of 2013 profit	—	—	—	—	—	—	(12,011)	12,011	—	—	**—**
Change in consolidation perimeter	—	—	—	—	—	—	—	—	—	886	**886**
- Period result	—	—	—	—	—		—	407	407	—	***407***
- Other components of comprehensive income	—	—	—	—	*7,045*	*(236)*	*(264)*	—	*6,544*	—	***6,544***
Total comprehensive income	—	—	—	—	7,045	(236)	(264)	407	6,952	—	**6,952**
As of December 31, December 2014	**32,312**	**151,994**	**3,853**	**46,108**	**4,453**	**(114)**	**(17,086)**	**407**	**221,927**	**886**	**222,813**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	Notes	2014	2013
			(euro/000)
		—	—
OPERATING ACTIVITIES			
Net profit / (loss) for the year		*407*	*(12,011)*
Depreciation and amortization	*1.2*	8,958	5,411
Provisions	*14.17*	2,216	(2,806)
Income tax expense	*28*	6,695	201
Accrued interest expense	*27*	12,830	19,881
Adjustments to other non-cash items		(8,914)	1,034
Cash generated by operations		*22,192*	*11,710*
(Increase) decrease in trade receivables	*8*	(10,553)	(1,300)
(Increase) decrease in other receivables	*9*	(2,653)	(88)
(Increase) decrease in inventories	*7*	(27,821)	3,717
(Decrease) increase in trade payables	*16*	33,787	(11,260)
(Decrease)/increase in other liabilities	*15.19*	3,113	(931)
(Use) of provisions	*14.18*	(6,892)	(3,574)
(Decrease)/increase in current tax liabilities	*28*	—	(1,383)
Adjustments to other non-cash items		(2,493)	5,524
Income taxes paid		(3,609)	(1,938)
Interest paid		(18,253)	(17,452)
Cash used for current operations		*(35,374)*	*(28,685)*
Net cash from /(used in) operating activities		**(13,182)**	**(16,975)**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	*1*	(6,179)	(2,615)
Proceeds from the sale of property, plant and equipment	*1*	755	(30)
(Purchase) of intangible assets	*2*	(6,742)	(1,512)
Net cash outflow on business combinations net of the liquidity acquired (Marcolin Group)		—	(53,619)
Net cash outflow on business combinations net of the liquidity acquired (Viva)		(4,958)	(74,126)
Net cash outflow on business combinations net of the liquidity acquired (SoverM)		(1,530)	—
Net cash from /(used in) investing activities		**(18,654)**	**(131,902)**
FINANCING ACTIVITES			
Loans granted			
- Increase		—	—
- Decrease	6	1,676	1,600
Net increase (decrease) in bank borrowings		(7,448)	1,934
Loans taken out	*13.17*		
- new loans		47,190	252,600
- repayments		(14,921)	(164,514)
Capital increase		—	51,300
Net cash from /(used in) financing activities		**26,497**	**142,920**
Net increase/(decrease) in cash and cash equivalents		**(5,339)**	**(5,957)**
Effect of foreign exchange rate changes		3,736	(707)
Cash and cash equivalents at beginning of year		**38,536**	**45,200**
Cash and cash equivalents at end of year		**36,933**	**38,536**

Marcolin S.p.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of and for the years ended December 31, 2014 and 2013

Introduction

In 2013 Marcolin S.p.A. (“Marcolin” or the “Parent Company” and together with its subsidiaries the “Marcolin Group” or the “Group”) and the parent company, Cristallo S.p.A. (“Cristallo”), were involved in a reverse merger whereby Cristallo was incorporated into Marcolin.

In December 2012 Cristallo purchased from Marcolin’s former shareholders 78.6% of Marcolin S.p.A.’s share capital, for a price of euro 4.25 per share (with a total payment of euro 207,579,057), financed with a short-term credit facility (for euro 87,500,000) and equity for euro 160,740,000 (from the financial resources made available by the sole shareholder, Marmolada S.p.A., through the subscription and payment of two subsequent capital increases with additional paid-in capital).

As a result of the change of control, since Marcolin was listed on the electronic share market (Mercato Telematico Azionario - MTA) segment of the Italian stock exchange, Cristallo had to launch a mandatory full public tender offer (“Offer”) for the remaining ordinary Marcolin shares outstanding, representing 21.4% of its’ share capital (the offering prospectus was approved by Consob Resolution on December 21, 2012).

The acceptance period began in January 2013 and ended in February 2013.

On the closing date of the Offer, shares corresponding to approximately 78.0% of the shares involved in the public offer and 16.7% of Marcolin’s share capital were tendered.

Those shares, added to the Marcolin shares already owned by Cristallo and the treasury shares (corresponding to 1.1% of capital), resulted in Cristallo owning 59,891,105 shares, equal to 96.4% of the Issuer’s share capital, on the Offer payment date. [1]

Therefore, under the Consolidated Finance Act Article 108, first paragraph, the legal conditions were present for the obligation to buy, and right to buy, the remaining outstanding shares not tendered into the Offer, corresponding to 3.6% of the Issuer’s share capital.

As a result of those events, Cristallo owned 100% of Marcolin’s share capital. Therefore, under Borsa Italiana Provision n. 7645 of February 7, 2013, the delisting of Marcolin’s shares from the electronic share market was arranged for February 14, 2013.

Cristallo financed the procedure with liquidity of euro 29,669,093 and additional equity of euro 27,300,000, made available by the sole shareholder, Marmolada S.p.A., through another capital increase.

During the year, procedures for the merger of Cristallo into Marcolin commenced within the scope of an extensive reorganization and optimization plan for the business, industrial and strategic purposes of the Group of which Cristallo and Marcolin are part. The reverse merger enabled Marcolin to retain its own business and legal relationships, with significant savings in terms of costs and organizational demands compared to a direct merger.

The main objective of the merger, which was part of the reorganization and restructuring plan described in the public offering prospectus, was to shorten the chain of command in order to improve flexibility and operational efficiency, reduce corporate and administrative expenses, and rationalize the financial indebtedness involving the Group companies, thereby resulting in greater financial stability.

Since Cristallo used bank loans to finance the original acquisition of Marcolin (indebtedness that was assumed by the surviving company), the merger is legally defined as a “merger as a result of acquisition with debt”, so the procedures set forth in Italian Civil Code 2501-bis and 2501-*quinquies* were followed.

On June 26, 2013, Marcolin S.p.A.’s Board of Directors presented the plan of merger through absorption of Cristallo S.p.A. into Marcolin S.p.A., as well as the Directors’ Report on the merger plan prepared in accordance with the Italian Civil Code; on July 8, 2013 Marcolin’s extraordinary General Meeting approved the merger plan as well as new By-Laws that used the current text of the absorbed entity.

The deed of merger was stipulated on October 28, 2013 and became effective for tax, accounting and legal purposes on the same date.

The merger took place by assigning the shares of the surviving company, originally owned by the absorbed entity (98.9% of the share capital), to Marmolada S.p.A., Cristallo's sole shareholder. Since the remaining 1.1% consisted of treasury shares, the transaction did not require any swap ratio.

The merger resulted in the cancellation of all Cristallo's shares, assigning the Marcolin shares to the sole shareholder, Marmolada, except for the treasury shares, which were canceled at the end of October 2013.

The Extraordinary General Meeting of October 31, 2013 canceled the 681,000 treasury shares owned by the Parent Company, transferring the nominal value directly to the sole Shareholder, and eliminating the nominal value of the Company's shares in accordance with Italian Civil Code Article 2436, paragraphs 2 and 3.

General Information

The explanatory notes set out below form an integral part of these consolidated financial statements and were prepared in accordance with the accounting documents updated to December 31, 2014.

The consolidated financial statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, revised as required for the measurement of certain financial instruments (with the exception of some revaluations performed in previous periods).

The consolidated financial statements for the year ended December 31, 2014 include the financial statements of the Parent Company, Marcolin S.p.A., and those of its subsidiaries and well as the Group's interests in jointly controlled entities and in associates.

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

Marcolin S.p.A. is the Parent Company of the 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 started up located in major countries of interest worldwide, and through the management of qualified contract manufacturers.

The addresses of the subsidiaries and associates are as follows.

Company	Headquarters	Address
Marcolin Asia HK Ltd	Hong Kong	Units 2207-11, Tower I, Level 22 - Metroplaza, 223 Hing Fong Road - Kwai Fong, N.T.
Marcolin Benelux Sprl	Faimes, Benelux	Rue al Cadorette, 2 - 4317
Marcolin do Brasil Ltda	Barueri - SP, Brasil	Av Tamboré, 1180 - 06460-000
Marcolin Deutschland Gmbh	Ludwigsburg, Germany	Monreposstrasse, 55
Marcolin GmbH	Fullinsdorf, Switzerland	Rheinstrasse, 26 - 4414
Marcolin Iberica SA	Barcellona, Spagna	Juan De Austria, 116 - 4a Planta - 08018
Marcolin International BV	Amsterdam, Olanda	Herikerbergweg 238
Marcolin Portugal Lda	Lisbona, Portugal	Rua Jose Travassos, 15/B 1600-410
Marcolin UK Ltd	Newbury, Uk	Building 107 - New Greenham Park-RG19 6HN
Marcolin Usa Inc	New York, Usa	232 Madison Avenue Lbby - NY 10016
Marcolin France Sas	Parigi, France	45, rue Saint Sébastien - 75011
Eyestyle Retail Srl	Milano, Italy	Corso Venezia, 36 - 20121
Eyestyle.com Srl	Longarone, Italy	Zona Industriale Villanova, 4 - 32013
Eyestyle Trading (Shanghai) Co Ltd	Shangai, China	Unit 313, no.555 Anyuan Road, Jingan District
Viva Optique Inc d/b/a Viva International Group	Somerville, Usa	Route 22 west, 3140 - 08876 NJ

Company	Headquarters	Address
Viva Europa Inc	New Jersey, USA	3140 Route 22 West, Somerville, NJ 08876
Viva IP Inc	New Jersey, USA	3140 Route 22 West, Somerville, NJ 08876
Viva Brasil Comércio Produtos Opticos Ltda	Sao Paulo, Brasil	Rua Umbú, 219 Térreo, Alphaville, 13098/325 Campinas, SP
Viva Canada Inc	New Brunswick, Canada	671 Malenfant Blvd., Dieppe, NB, E1A 5T8
Viva France Sas	Pontault Combault, France	18 rue de Prè des Anulnes, Z.I. des Arpents, 77340 Pontault Combault
Viva Eyewear Hong Kong Ltd	New Territories, Hong Kong	Workshop A-E, 8th Floor, Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung
Viva Italia Srl	Operations Ceased	
Viva International Inc d/b/a Viva Japan	Operations Ceased	
Viva Eyewear UK Ltd	North Yorkshire, UK	1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB
Joint Ventures		
Viva Optique de Mexico SA de CV	Edo, Mexico	Boulevard Toluca No. 128, Col. San Andres Atoto, C.P. 53500, Naucalpan, Edo
Viva Deutschland Gmbh	Schwaebisch Gmund, Germany	Oderstrasse 2, Schwaebisch Gmund
Viva Eyewear Brillenvertriebs Gmbh	Mondsee, Austria	Herzog-Odilo-Str. 101/16, 5310 Mondsee (Landesgericht Wels FN 246984 m)
Viva Nederland B.V.	Rijswijk, Netherlands	Amperelaan 4C, Rijswijk
Viva Schweiz AG	Wallis, Switzerland	3951 Agarn, Wallis
Viva Eyewear Australia Pty Ltd	Rosebery NSW, Australia	110 Dalmeny Avenue, Rosebery NSW2018
Sover - M ZAO	Moscow, Russia	Building 1, 8 Bolshoy Chudov Pereulok
Gin Hong Lin Intenational Co Ltd	Hong Kong	Ocean Centre 609, Harbour City 5, Canton Road Tst Kowloon

Presentation currency

These financial statements are presented in the Parent Company's presentation currency (Euro).

For the sake of a clear understanding of these consolidated financial statements, the amounts in the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and Explanatory Notes are presented in thousands of Euros. As a result of presenting the amounts in thousands of Euros, immaterial differences in the totals may emerge due to rounding.

Italian tax consolidation

Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l., had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Office of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the three-year period.

From the current year to December 31, 2016, the tax consolidation regime will enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities;
- the consolidated companies with negative taxable income receive from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accruals basis;
- The payment is made only at the time of actual use by 3 Cime S.p.A. for itself and/or for other Group companies;
- if 3 Cime S.p.A. and the subsidiaries do not renew the tax consolidation option, or if the requirements for 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

The financial statements were authorized for issue by the Board of Directors on March 27, 2015.

ACCOUNTING STANDARDS

Basis of preparation

The consolidated financial statements were prepared according to the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

The IFRS include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC).

The accounting policies adopted to prepare the consolidated financial statements for the year ended December 31, 2014 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

Accounting standards, amendments and interpretations effective from January 1, 2014

Application of the following new IFRS standards and/or standards revised by the International Accounting Standards Board and IFRIC interpretations became mandatory in 2014.

Description	Approved as of the date of this document	Effective date of the standard
IFRS 10 - "Consolidated Financial Statements"	December 2012	Annual periods beginning on or after January 1, 2014
IFRS 11 - "Joint Arrangements"	December 2012	Annual periods beginning on or after January 1, 2014
IFRS 12 - "Disclosures of Interests in Other Entities"	December 2012	Annual periods beginning on or after January 1, 2014
Amendments to IFRS 10, 11 and 12 on transition guidance	April 2013	Annual periods beginning on or after January 1, 2014
IAS 27 (revised 2011) "Separate financial statements"	December 2012	Annual periods beginning on or after January 1, 2014
IAS 28 (revised 2011) "Associates and joint ventures"	December 2012	Annual periods beginning on or after January 1, 2014

Description	Approved as of the date of this document	Effective date of the standard
Amendment to IAS 32, "Financial instruments: Presentation", on offsetting financial assets and financial liabilities	December 2012	Annual periods beginning on or after January 1, 2014
Amendments to IFRS 10, "Consolidated financial statements", IFRS 12 and IAS 27 for investment entities	November 2013	Annual periods beginning on or after January 1, 2014
Amendments to IAS 36, "Impairment of assets"	December 2013	Annual periods beginning on or after January 1, 2014
Amendment to IAS 39 "Financial instruments: Recognition and measurement", on novation of derivatives and hedge accounting	December 2013	Annual periods beginning on or after January 1, 2014
IFRIC 21, "Levies"	June 2014	Annual periods beginning on or after January 1, 2014

The adoption of the accounting standards, amendments and interpretations listed in the table above did not have any material effects on the Marcolin Group's financial position or performance.

Accounting standards, amendments and interpretations not applicable yet and not adopted early by the Group for the annual period beginning January 1, 2014

The following IFRSs, interpretations, amendments to existing standards and interpretations, or special provisions contained in the standards and interpretations approved by the IASB, and information with respect to their adoption in Europe as at the date of approval of the consolidated financial statements, are set forth below:

Description	Approved as of the date of this document	Effective date of the standard
Amendment to IAS 19 regarding defined benefit plans	No	Annual periods beginning on or after July 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	No	Annual periods beginning on or after July 1, 2014
Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"	No	Annual periods beginning on or after January 1, 2016
Amendment to IFRS 11, "Joint arrangements" on acquisition of an interest in a joint operation	No	Annual periods beginning on or after January 1, 2016
IFRS 14 "Regulatory deferral accounts"	No	Annual periods beginning on or after January 1, 2016
IFRS 9 "Financial instruments"	No	Annual periods beginning on or after January 1, 2018
IFRS 15 "Revenue from contracts with customers"	No	Annual periods beginning on or after January 1, 2017
Amendments to IAS 27, "Separate financial statements" on the equity method	No	Annual periods beginning on or after January 1, 2016
Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures"	No	Annual periods beginning on or after January 1, 2016

No accounting standards and/or interpretations with mandatory application in annual periods beginning after December 31, 2014 were adopted early.

The Marcolin Group is evaluating the effects of the application of the above new standards, which are not currently considered to cause an impact.

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 Explanatory Notes.

In order to provide comparability, the previous period data was restated as necessary, with explanations given of the restatements. Some entries are described to provide a better understanding of certain accounts, where needed.

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 realized 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 realized 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 in order 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.

Statement of Cash Flows

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.

Segment reporting

Segment information was prepared on the basis of the geographical areas in which the Group operates, through its companies, by identifying the geographical areas as the primary segments of business.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the companies consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method.

List of Subsidiaries and Associates

Company	Currency	Share capital	Equity	Net profit / (loss)	Consolidation method	% ownership	
						Direct	Indirect
Marcolin Asia HK Ltd	HKD	1,539,785	45,273,880	15,396,083	Full		100.00%
Marcolin Benelux Sprl	EUR	280,000	440,304	6,964	Full	100.00%	
Marcolin do Brasil Ltda	BRL	9,575,240	1,763,556	-5,506,365	Full	99.90%	0.10%
Marcolin Deutschland Gmbh	EUR	300,000	1,427,518	-241,168	Full	100.00%	
Marcolin GmbH	CHF	200,000	60,680	-35,574	Full	100.00%	
Marcolin Iberica SA	EUR	487,481	3,358,197	236,883	Full	100.00%	
Marcolin International BV	EUR	18,151	-1,321,426	-93,155	Full	100.00%	
Marcolin Portugal Lda	EUR	420,000	8,962	102,140	Full	99.82%	
Marcolin UK Ltd	GBP	850,000	997,334	230,412	Full	100.00%	
Marcolin Usa Inc	USD	775,100	74,541,463	-7,163,109	Full	89.90%	10.10%
Marcolin France Sas	EUR	1,054,452	3,029,156	-153,943	Full	76.89%	23.11%
Eyestyle Retail Srl	EUR	200,000	572,364	-289,300	Full	100.00%	
Eyestyle.com Srl	EUR	150,000	355,544	-204,334	Full	100.00%	
Eyestyle Trading (Shanghai) Co Ltd	CNY	2,917,723	1,697,444	-931,388	Full	100.00%	
Viva Optique Inc d/b/a Viva International Group	USD	121,472,262	115,651,236	-6,713,452	Full		100.00%
Viva Europa Inc	USD	0	0	0	Full		100.00%
Viva IP Inc	USD	10,000	8,758	0	Full		100.00%
Viva Brasil Comércio Produtos Opticos Ltda	BRL	798,560	-5,286,154	-3,362,497	Full		100.00%
Viva Canada Inc	CAD	347,640	209,276	-1,491,196	Full		100.00%
Viva France Sas	EUR	37,000	558,364	-744,670	Full		100.00%
Viva Eyewear Hong Kong Ltd	HKD	486,369	56,133,720	-5,825,633	Full		100.00%
Viva Italia Srl	EUR	845,600	43,051	-1,882	Full		100.00%
Viva International Inc d/b/a Viva Japan	YEN	0	-38,576,022	0	Full		100.00%
Viva Eyewear UK Ltd	GBP	0	18,032,513	9,682,684	Full		100.00%
Joint Ventures							
Viva Optique de Mexico SA de CV	MXN	3,694,685	28,430,647	5,133,754	Equity		50.00%
Viva Deutschland Gmbh	EUR	25,000	217,245	567,245	Equity		50.00%
Viva Eyewear Brillenvertriebs Gmbh	EUR	35,000	73,351	38,351	Equity		50.00%
Viva Nederland B.V.	EUR	18,000	37,897	19,897	Equity		50.00%
Viva Schweiz AG	CHF	100,000	284,213	133,952	Equity		50.00%

Company	Currency	Share capital	Equity	Net profit / (loss)	Consolidation method	% ownership Direct	% ownership Indirect
Viva Eyewear Australia Pty Ltd	AUD	1,000,000	2,369,282	-906,845	Equity		50.00%
Sover - M ZAO	RUB	306,000	130,893,000	0	Full	51.00%	
Gin Hong Lin Intenational Co Ltd	HKD	19	19	0	Full	50.00%	

The following changes since December 31, 2013 are reported:

- Sover-M, a Russian company, has been included in the consolidation perimeter;
- Ging Hong Lin International Co. Ltd was not consolidated because it was founded on December 31, 2014 and had no assets until that date. The line-by-line consolidation method will be used because the conditions for control as per the new international accounting standards (IFRS 11) are present.

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 Union and, includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realized by the associate after the acquisition date is recognized in the income statement, whereas the interest in changes in reserves after the acquisition date is recognized 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 recognize additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealized 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 ventures are consolidated 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 realized between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in inventories originating from intercompany transactions are eliminated;
- any non-controlling interests in equity or net profit/(loss) 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 realized by such companies;

- financial statements presented in a different functional currency from that of the Parent Company are translated into euros 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 recognized in the changes in equity. [1]

The following table lists the exchange rates used for translation:

Currency	**Symbol**	**Closing exchange rate**			**Average exchange rate**		
		12/31/2014	**12/31/2013**	***Change***	**2014**	**2013**	***Change***
Australian Dollar	AUD	1.483	1.542	(3.9%)	1.472	1.378	6.8%
Brasilian Real	BRL	3.221	3.258	(1.1%)	3.121	2.869	8.8%
Canadian Dollar	CAD	1.406	1.467	(4.1%)	1.466	1.368	7.1%
Swiss Franc	CHF	1.202	1.228	(2.1%)	1.215	1.231	(1.3%)
Remimbi	CNY	7.536	8.349	(9.7%)	8.186	8.165	0.3%
English Pound	GBP	0.779	0.834	(6.6%)	0.806	0.849	(5.1%)
Hong Kong Dollar	HKD	9.417	10.693	(11.9%)	10.302	10.302	—
Japanese Yen	JPY	145.230	144.720	0.4%	140.306	129.663	8.2%
Mexican Pesos	MXN	17.868	18.073	(1.1%)	17.655	16.964	4.1%
Russian Rublo	RUB	72.337	45.325	59.6%	50.952	42.337	20.3%
USA Dollar	USD	1.214	1.379	(12.0%)	1.329	1.328	—

Business combinations

The Group's business combinations are accounted for with the acquisition method in accordance with 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.

Based on the acquisition 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 recognized 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 recognized. 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 recognized 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 to obtain 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.

With respect to the Group's business combinations:

- the balances of the combination with the Viva group, recognized provisionally as at December 31, 2013, were finalized in 2014;

[1] *Translation of foreign-currency financial statements*
Financial statements presented in a different functional currency are translated into euros 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 recognized in the "foreign currency translation reserve" under "other reserves".

- due to the time of acquisition (December 2014) and lack of relevant detailed information to fully determine the values, the aggregation of Sover-M was treated as provisional, and thus will be finalized in the financial statements for the year ended December 31, 2015.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted to prepare the consolidated financial statements are described hereunder:

Property, plant, and equipment ("PP&E" or "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.

PP&E 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 recognized 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 capitalized to the extent that they can be separately classified as an asset or part of an asset. The carrying value 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 released 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 capitalizing them.

Assets held under finance leases are recognized as tangible assets against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

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
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
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 recognized 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 amortization (except for those assets with an indefinite useful life) and any impairment losses. Amortization 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 recognized in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

Goodwill

Goodwill is recognized at cost less any impairment losses.

Goodwill relating to 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 recognized.

Goodwill is not amortized, 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 recognized at cost.

They have a finite useful life and are recognized at cost net of accumulated amortization. Amortization 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 amortization, 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 value that the asset would have had if there had been no impairment loss and if the asset had been amortized.

Trademarks are amortized on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

Software

Software licenses acquired are capitalized on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortization 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 recognized 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 recognized as an expense as incurred unless they meet the conditions for capitalization under IAS 38.

Impairment of tangible 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 value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized 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 value is increased to that new value. The increased carrying value must not exceed the net carrying value the asset would have had without any impairment loss.

An impairment loss with respect to goodwill may not be reversed.

Financial derivatives

Derivative financial instruments are used by the Group solely for hedging purposes, in order to reduce exposure to currency risks.

All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

Fair value hedge – If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss;

Cash flow hedge – If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the cumulative gain or loss that has been recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has been recognized in equity is immediately recognized in the income statement;

If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or stated in the financial statements are categorized 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 categorized 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 categorization (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 realizable value based on market prices. Estimated realizable 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 realizable value.

Financial assets – Loans and receivables

Trade receivables, current loan receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year that do not accrue interest or that accrue interest at below-market rates are discounted using market rates

and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

Cash and cash equivalents

Cash and cash equivalents 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 value will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognized at their net carrying value 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 recognized 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.

Share-based payments (stock option plan)

Currently there are no such payments.

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 recognized on an accruals basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs). Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with IAS 19 Revised, effective from January 1, 2013.

On January 1, 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 June 30, 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 June 30, 2007, are considered a defined contribution plan, so 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

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their nominal value.

Financial liabilities

Borrowings (loans) are initially recognized at cost, corresponding to the fair value of the liability less their transaction costs.

They are subsequently measured at amortized cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognized 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 derecognized when they are settled or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes sales revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement.

The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of the goods and supply of the services.

Revenues from services are recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized 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 amortization 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 recognized 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 recognized 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 realized in the period are recognized in the income statement.

Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

Income tax expense

Income taxes are recorded in the income statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized 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 realized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying value 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 realized 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 the 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 also uses some derivative instruments to minimize the impact of such risks on its results.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on purchases from suppliers 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.

Currency risk

The Group operates on an international level, so it is exposed to foreign exchange risk (particularly as regards the U.S. dollar). Currency risk is managed centrally by the Parent Company, which examines and monitors fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

The Company has a specific policy in place for managing currency risk. This activity makes it possible to keep under control the main currency positions not covered by natural hedging.

According to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements.

Details of the hedging contracts in place on the reporting date are as follows.

(euro/000)

Currency hedges

Type	Financial Institution	Notional	Currency	Maturity date	Mark to Market
Currency forward purchase	Veneto Banca	1,000	USD	03.25.2015	94
Currency forward purchase	Veneto Banca	1,000	USD	05.28.2015	89

The Group is exposed mainly with the U.S. dollar on purchases of finished and semi-finished products from suppliers in the Far East, net of the cash flows from sales conducted in U.S. dollar markets.

The hedging instruments in place on December 31, 2014 have a fair value of euro 183 thousand, accounted for in "current financial liabilities" in these financial statements.

To determine the fair value of the currency forwards purchased, the Group used valuation techniques that are appropriate in the circumstances and for which sufficient information is available on the market. Level 2 inputs of the fair value hierarchy defined by IFRS 7 are used in the valuation techniques.

For the currency derivatives, the potential decrease in the fair value of the currency forwards held by the Group as at December 31, 2014, due to a hypothetical sudden adverse change of 5% in the Euro-to-Dollar exchange rate (depreciation of the Dollar), would be euro 78 thousand. Conversely, the potential increase in fair value arising on appreciation of the Dollar would be euro 87 thousand.

Interest rate risk

As a result of the fixed-rate euro 200 million bond issue subscribed in November 2013, the Group's debt structure changed significantly, and the Group now has low 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

Interest rate sensitivity analysis was performed, assuming a 25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2014. 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 cash equivalents, 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. If interest rates should rise by 25 basis points, income would decrease by euro 116 thousand due to higher interest expense with banks and third parties with respect to the increase in financial income on bank accounts.

If interest rates should fall by 10 basis points, income would increase by euro 46 thousand.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.

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 exposure ceilings.

Receivables and other current assets are set forth below by the main areas in which the Group operates in order to evaluate country risk.

(euro/000)

Receivables by geographical area and other current assets	**12/31/2014**	**12/31/2013**
Italy	19,969	18,907
Rest of Europe	17,577	19,141
North America	26,959	25,854
Rest of World	30,170	21,919
Total	**94,675**	**85,821**

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 2013 the Parent Company has had a revolving credit facility of nominal euro 25 million available for short-term cash flow requirements.

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 types of credit lines available and the base rate on the reference date are reported herein.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Principal repayments and non-discounted interest were specified by time brackets. 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.

(euro/000)

	Within 1 year	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
Loans and bonds (excluding capital lease)	40,227	4,478	193,107	—
Interest expense on loans and bonds	17,486	34,252	34,101	—
Capital lease	1,126	1,566	—	—
Trade payables	102,322	—	—	—

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

(euro/000)

Borrowings - maturity	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Credit lines used	8,951	—	—	—	**8,951**
Loans	2,283	—	—	—	**2,283**
Other financing	6,473	4,162	712	191,017	**202,363**
12/31/2013	**17,707**	**4,162**	**712**	**191,017**	**213,598**
Credit lines used	15,039	—	—	—	**15,039**
Loans	21,244	2,450	1,250	—	**24,944**
Other financiers	5,070	3,537	191,914	—	**200,521**
12/31/2014	**41,353**	**5,987**	**193,164**	**—**	**240,504**

USE OF ESTIMATES

The preparation of consolidated financial statements requires making estimates that could affect the carrying value 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, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.

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 values of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Group performs impairment tests 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 value 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 analyzed 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. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

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 recognize deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Comments and the most significant changes in the items compared to the consolidated financial statements for the year ended December 31, 2014 are described hereunder (the amounts are in thousands of euros, unless specified otherwise).

BUSINESS COMBINATIONS

Acquisition of Viva International group

In December 2013 the Marcolin Group, through Marcolin USA, Inc., acquired the Viva International group, one of the most important eyewear businesses in the U.S. market.

The acquisition date is December 3, 2013.

After carrying out the preliminary and preparatory activities, the acquisition, which received antitrust approval from the U.S. Federal Trade Commission, was completed by Marcolin USA, Inc., which became the owner of the entire share capital of Viva Optique, Inc. (Parent Company of the acquired group) as at December 31, 2013.

According to IFRS 3, "Business Combinations", this acquisition consisted of a business combination, and as such was accounted for with the acquisition method.

As permitted by IFRS 3, given the significance of the acquisition and the proximity to the 2013 reporting date, the initial accounting for the business combination was determined only provisionally in the financial statements for the year ended December 31, 2013, and goodwill was determined on the basis of provisional, partial identification of the fair values of the acquired assets, liabilities and contingent liabilities.

During 2014, the above business combination was definitively accounted for with respect to the identification and measurement of the assets and liabilities acquired.

The business combination disclosures required by IFRS 3 are provided hereunder.

Combining entities

The combining entities are Marcolin USA, Inc., the acquirer, and the Viva International group, the acquiree group of companies.

The following table sets forth the acquired companies and the percentage of equity instruments with voting rights acquired directly by Marcolin USA, Inc. as at December 31, 2013:

Company	Registered offices	Currency	Share capital	% ownership Direct	% ownership Indirect
Viva Optique Inc d/b/a Viva International Group	U.S. (New Jersey)	USD	121,872,715	100%	
Viva IP Inc	U.S. (New Jersey)	USD	10,000		100%
Viva international Inc – in liquidation	U.S. (New Jersey)	USD	—		100%
Viva Europa Inc	U.S. (New Jersey)	USD	—		100%
Viva Canada Inc	Canada	CAD	347,640		100%
Viva Optique de Mexico SA de CV	Mexico	MXN	3,694,685		50%
Miracle Optics Inc – in liquidation	U.S. (California)	USD	—		
Viva Eyewear UK Ltd	UK	GBP	—		100%
Viva Italia Srl – in liquidation	Italy	EUR	93,600		100%
Viva Eyewear Hong Kong Ltd	Hong Kong	HKD	100		100%
Viva Brasil Comércio Produtos Opticos Ltda	Brasil	BRL	798,560		100%
Viva France Sas	France	EUR	37,000		100%
Viva Eyewear Australia Pty Ltd	Australia	AUD	1,000,000		50%
Viva Schweiz AG	Switzerland	CHF	50,000		50%
Viva Nederland B.V.	Netherlands	EUR	18,000		50%
Viva Deutschland Gmbh	Germany	EUR	25,000		50%
Viva Eyewear Brillenvertriebs Gmbh	Austria	EUR	35,000		50%

Cost of business combination

The cost of the business combination was euro 117.297 million, represented by the sum of acquiree equity instruments acquired.

It is detailed below (amounts in thousands of euros):

	EUR	USD
	(curr/000)	
Corresponding amount paid by Marcolin USA Inc. at closing on Dec 3, 2013	85,689	116,349
Other corresponding amounts paid by Marcolin USA Inc. at closing on Dec 3, 2013	1,841	2,500
Price paid though 3Cime SpA at closing on Dec 3, 2013	22,095	30,000
Deferred price to be paid to HVHC Inc. after Dec 31, 2013	7,672	10,417
Purchase price	**117,297**	**159,266**

Transaction costs were recognized in the income statement of the year they were incurred (in accordance with the applicable accounting standard).

Fair value of acquired assets, liabilities and contingent liabilities

The fair value of the net acquired assets is euro 38.977 million, detailed as follows (in thousands of euros):

	Definitive Fair Value EUR	Definitive Fair Value USD	Carrying Value in Viva Group Statements EUR	Carrying Value in Viva Group Statements USD
				(curr/000)
Assets				
Non-current assets				
Property, plant and equipment	3,184	4,323	3,724	5,056
Intangible assets	9,383	12,740	14,781	20,069
Goodwill	—		65,793	89,334
Investments	1,950	2,648	1,950	2,649
Deferred tax assets	9,846	13,369	3,006	4,081
Total non-current assets	**24,363**	**33,080**	**89,254**	**121,189**
Current assets				
Inventories	21,187	28,767	25,865	35,119
Trade receivables	22,462	30,499	23,114	31,384
Other current assets	1,483	2,014	1,483	2,014
Cash and cash equivalents	13,404	18,200	13,404	18,200
Total current assets	**58,536**	**79,480**	**63,866**	**86,717**
Total assets	**82,899**	**112,560**	**153,120**	**207,906**
Liabilities				
Non-current liabilities				
Non-current financial liabilities	2,069	2,809	2,069	2,809
Non-current provisions	634	861	184	250
Deferred tax liabilities	326	442	1,938	2,632
Other non-current liabilities	560	761	—	—
Total non-current liabilities	**3,589**	**4,873**	**4,191**	**5,691**
Current liabilities				
Trade payables	18,420	25,011	18,420	25,011
Current financial liabilities	675	916	675	916
Current liabilities	11,901	16,159	5,378	7,302
Current tax liabilities	2,443	3,317	2,443	3,317
Other current liabilities	6,895	9,362	6,895	9,362
Total current liabilities	**40,334**	**54,765**	**33,811**	**45,908**
Total liabilities	**43,923**	**59,638**	**38,002**	**51,599**
Acquired net assets	**38,977**	**52,922**	**115,118**	**156,307**

Goodwill recognized pursuant to the business combination

Goodwill of euro 78.320 million (as at December 3, 2013) emerged as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the acquired assets and liabilities, as shown in the table below:

		(curr/000)
	EUR	**USD**
Net fair value at acquisition date	**38,977**	**52,922**
Minority interest		
Net fair value acquisition date	**38,977**	**52,922**
Purchase price	117,297	159,265
Goodwill	**78,320**	**106,343**

The goodwill represents the future economic benefits arising from the business combination, due primarily to the Viva group's legacy of expertise and know-how developed over the years; they form a potential contribution to future earnings and generation of cash flows deriving from the ability to satisfy customer demands, quantifiable in terms of higher profitability and cash flows.

Future economic benefits are assured by the Viva group's collective business strategies and information regarding licensor relationships, relationships with the distribution network in the American market, products distributed and customer demands, implemented in the past in order to gain esteem and win over new customers and markets. This intangible legacy of practical knowledge summarizes the business know-how of the group acquired.

Acquisition of Sover-M

On December 15, 2014 in Moscow, Marcolin SpA signed a joint-venture agreement with Victoria Chizhova, Founder and General Manager of Sover-M, a well-established business operating in the Russian eyewear market

As of December 31, 2014 Marcolin controlled 51% of Sover-M, based in Moscow. The Russian company's share capital on that date was 306 thousand rubles, and its equity was 130.893 million rubles. The financial statements are presented in Russian rubles.

Goodwill recognized pursuant to the business combination

Goodwill of euro 610 thousand (as at December 31, 2014) emerged as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the acquired assets and liabilities, resulting from the difference between the euro 1.532 million price paid and the corresponding interest in equity of euro 922 thousand, translated at the December 31, 2014 exchange rate.

The goodwill represents the future economic benefits arising from the business combination, due primarily to the company's legacy of expertise and knowledge of the local market.

The joint venture is part of Marcolin's international expansion plan, which by increasing the distribution of its products in Russia to satisfy customer demands, creates the basis for direct, effective management of the Russian market, representing a potential contribution to future profitability and to the generation of cash flows, quantifiable in terms of higher earnings and cash flows.

The fair value of the net acquired assets was determined only provisionally, so the respective definitive values and value attributed to goodwill could differ from the values reported at this reporting date.

1. PROPERTY, PLANT, AND EQUIPMENT

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

(euro/000)

Property, plant and equipment	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Net value at beginning of 2014	**13,907**	**4,688**	**973**	**3,286**	**103**	**22,957**
Increases	1,361	1,391	1,208	1,558	661	**6,179**
Decreases	50	—	1	(440)	(60)	**(449)**
Depreciation	(1,358)	(979)	(794)	(1,205)	—	**(4,336)**
Translation difference	215	—	50	149	—	**414**
Reclassification	(34)	14	114	(123)	(79)	**(108)**
Net value at end of 2014	**14,141**	**5,114**	**1,552**	**3,225**	**625**	**24,657**

The Group's 2014 capital expenditures totaled euro 6.179 million:

- the increase of euro 1.361 million for land and buildings refers primarily to the Fintec building purchased for euro 380 thousand and to office renovation totaling euro 600 thousand by Marcolin France, Marcolin Brazil and Marcolin UK HK Branch;
- plant and machinery purchases of euro 1.391 million refer to industrial plant and machinery purchased by the Parent Company to renew production lines;
- equipment purchases of euro 1.208 million refer mainly to the Parent Company;
- other purchases totaling euro 1.558 million, mainly consist of computer hardware for euro 907 thousand, office furniture for euro 287 thousand and exhibition stands for 314 thousand;
- the euro 661 thousand increase in assets under construction and advances refers largely to the downpayment of euro 380 thousand on the Fortogna building; the rest refers to advances for plant and equipment purchases.

Depreciation is euro 4.336 million and consists of:

- euro 2.031 million recognized in the components of cost of sales;
- euro 819 thousand recognized in distribution and marketing expenses;
- euro 1.486 million recognized in general and administrative expenses.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2014 are shown in the following table:

(euro/000)

Property, plant and equipment	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Undepreciated value	29,128	19,682	14,412	12,726	625	76,573
Accumulated depreciation	(14,987)	(14,568)	(12,860)	(9,501)		(51,916)
Net value at end of 2014	**14,141**	**5,114**	**1,552**	**3,225**	**625**	**24,657**

2. INTANGIBLE ASSETS AND GOODWILL

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

(euro/000)

Intangible assets and goodwill	Software	Concession, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2014	**1,567**	**25,983**	**1,744**	**46**	**29,341**	**266,833**
Increases	3,633	10	6,792	117	**10,552**	
Decreases	(16)	—	—	(12)	**(28)**	
Amortization	(1,143)	(277)	(3,151)	—	**(4,571)**	
Increases from Business Combination (Sover-M)	—	—	—	—		**610**
Translation difference	(141)	1,266	630	107	**1,862**	**10,569**
Reclassification and other movements	2,907	(14,802)	12,000	(48)	**57**	**(2)**
Net value at end of 2014	**6,807**	**12,180**	**18,015**	**210**	**37,213**	**278,010**

The increase of euro 10.552 million is attributable mainly to the following:

- other intangible assets include, among the other, lump sums paid by the Parent Company to some licensors to extend licenses;
- software of euro 3.633 million for new business application and their implementation, euro 922 thousand of which refers to the Parent Company and euro 2.711 million to Viva Optique.

Amortization is euro 4.571 million and consists of:

- euro 60 thousand recognized in the components of cost of sales;
- euro 3.713 million recognized in distribution expenses;
- euro 798 thousand recognized in general and administrative expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2014 are shown in the following table:

(euro/000)

Intangible assets and goodwill	Software	Concession, licenses and trademarks	Other	Intangible assets under formation and advances	Total 12/31/2014	Goodwill
Undepreciated value	17,503	17,260	29,121	210	64,094	278,010
Accumulated depreciation	(10,696)	(5,080)	(11,106)	—	(26,882)	
Net value	**6,807**	**12,180**	**18,015**	**210**	**37,213**	**278,010**

Goodwill, which is affected by translation differences attributable to the Viva International acquisition, increased by euro 610 thousand in the year (for provisional goodwill regarding the new acquisition of Sover-M in Russia).

Goodwill was tested for impairment to assess the fairness of the carrying amount as at December 31, 2014.

The recoverable amount of goodwill was estimated using the Marcolin Group’s value in use, and was taken as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of the Marcolin Group’s continuing operation (including Viva International cash flows).

The following assumptions were made to determine value in use:

- the cash-generating unit was identified in the Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and its Italian and foreign subsidiaries); The new organizational structure resulting from Viva International integration represents the full integration of all Viva structures into Marcolin; Viva’s previous structures lost their identity in the integration process through acquisitions, mergers and business division transfers conducted within the vast international reorganization of the Group, which is now managed as a single unit coordinated by the Parent Company using a centralized model;

- the main data sources used were the Group's 2015 – 2017 business plan projections, the consolidated financial statements for the year ended December 31, 2013, the draft financial statements for the year ended December 31, 2014, and the 2015 Budget; the 2015 – 2017 business plan was approved by the Parent Company's Board of Directors on February 26, 2015;
- the terminal value was calculated by capitalizing the available cash flow expected perpetually from 2018 (estimated on the basis of the last year in the business plan, given an increase in the "g" rate from the last year stated). It has been assumed that it will grow at a "g" rate of 2.3%, conservatively considering the inflation projections for the countries in which Marcolin is present. The terminal value was adjusted to account for the Parent Company's transfer of the provision for severance indemnities;
- the cash flow discount rate (WAAC) is 8.8%, calculated in line with the Capital Asset Pricing Model (CAPM) used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.0%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 9.6%), weighted considering the source 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.

Based on the results of the analysis performed, goodwill did not suffer any impairment losses.

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 euro 41 million decrease in the enterprise value (given the same g), whereas a half-percentage point decrease in the g rate would result in an euro 37.9 million decrease in the enterprise value (given the same WAAC). In both cases no impairment losses would affect the Profit and Loss.

In the case of conservative 100 bp reductions of WAAC and the "g" rate, the impairment test and sensitivity analysis results produced recoverable amounts in line with the invested capital presented at December 31, 2014 for the Marcolin Group, without any impairment losses, even considering the combined reduction of such parameters.

In addition, a stress test was performed assuming higher capital expenditures than those budgeted, and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration.

The stress test confirmed that the coverage amounts remain positive, with broad safety margins.

Accordingly, it is reasonable to conclude that the carrying value of goodwill stated in the December 31, 2014 financial statements is consistent with its fair value.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for euro 1.8 million and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

Concessions, licenses and trademarks also include euro 10 million for an option that will enable the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost will be amortized over 7 years starting from 2016.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in subsidiaries and associates, totaling euro 1.877 million, consist primarily of investments in non-controlled companies of the Viva group, including euro 799 thousand in Viva Australia (a 50%-owned distributor), euro 796 thousand in Viva Mexico (50%-owned), euro 118 thousand in Viva Schweiz and euro 109 thousand in Viva Germany (50%-owned).

4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as at December 31, 2014 are euro 31.149 million (euro 29.933 million in 2013), the balance of euro 38.536 million in deferred tax assets and euro 7.387 million in deferred tax liabilities.

The amount is primarily attributable to the Parent Company, for euro 9.555 million (euro 11.331 million in 2013), followed by Marcolin U.S.A. for euro 8.381 million (euro 6.385 million in 2013), Viva group subsidiaries for euro 10.032 million (euro 1.328 million in 2013) and Marcolin France for euro 1.278 million (euro 1.431 million in 2013).

The amount refers to:

- euro 18.711 million (euro 2.023 million referring to the Parent Company) 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;
- euro 12.438 million (euro 7.534 million referring to the Parent Company) in deferred tax assets recognized on tax losses generated in periods before 2014. Recognition of deferred tax assets was made possible by the prospect of realizing 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 28, regarding income taxes.

5. OTHER NON-CURRENT ASSETS

The balance at December 31, 2014 is euro 845 thousand (euro 870 thousand in 2013), and refers primarily to prepaid commissions on the Parent Company's euro 25 million senior revolving credit facility.

6. NON-CURRENT FINANCIAL ASSETS

This item amounted to euro 5.455 million on December 31, 2014, and refers primarily to:

- euro 5.232 million for a loan granted by the Parent Company to a third party, on which interest accrues at market rates and whose repayments are due from January 1, 2013 (in semiannual installments until 2022);
- the remaining balance on a similar loan granted by Marcolin USA is recognized among current financial assets because the repayments commenced in 2013 and will end in 2015.

7. INVENTORIES

Inventories are detailed below:

(euro/000)

Inventories	12/31/2014	12/31/2013
Finished goods	96,745	76,400
Raw Material	17,927	10,509
Work in progress	11,633	9,992
Gross inventory	**126,305**	**96,901**
Inventory provision	(26,230)	(28,600)
Net inventory	**100,075**	**68,301**

Net inventories inceased by euro 31.774 million from the previous year. The increase in closing inventories is attributable to an increase in "current" finished product inventories, due to higher sales and management's decision to improve customer service by reducing delivery time and investing in supplies of continuing products (to be "never out of stock"). In contrast, inventories of products from former collections (obsolete and slow-moving stock) decreased considerably from those of 2013. The inventory increase is also attributable to discontinuity represented by products with new brands, particularly Zegna and Pucci, which will be launched shortly, and to the expansion of collections offered and models produced;

The euro 29.404 million increase in gross inventories is attributable to:

- finished products, increased by euro 20.345 million due to articles of new collections and new brands, mainly in the luxury segment, in order to satisfy the order increase;
- raw materials and semi-finished goods, increased by euro 7.418 million to satisfy the order increase and improve service;
- work in progress, increased by euro 1.641 million, reflecting the greater production needed to meet the order increase.

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 inventory impairment provision has fallen as a percentage of gross inventories due to the scrapping of obsolete components.

8. TRADE RECEIVABLES

The composition of the trade receivables is as follows

		(euro/000)
Trade receivables	**12/31/2014**	**12/31/2013**
Gross trade receivables	86,374	77,818
Provision for bad debts	(5,798)	(5,991)
Net trade receivables	**80,576**	**71,827**

Gross trade receivables increased by euro 8.556 million. They were largely affected by the increased sales, and particularly by the acceleration of business at the end of 2014 due to a concentration of deliveries at the end of the year. Credit quality remained consistent with that of recent years. In 2014 the recent improvement in the average collection period, or "days sales outstanding" (DSO), lost momentum, but the extreme emphasis on credit management and client selection made it possible to keep the DSO, up by 2 days, under control even with difficult markets and rising sales.

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

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

		(euro/000)
Receivables not overdue by geographical area	**12/31/2014**	**12/31/2013**
Italy	11,382	8,560
Rest of Europe	13,546	12,428
North America	16,516	18,325
Rest of World	23,497	16,757
Total	**64,941**	**56,070**

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

			(euro/000)
Ageing analysis of trade receivables not protested	**Gross**	**Provision**	**Net value**
December 31, 2013			
Not past due	56,070	(146)	55,924
Past due by less than 3 months	13,235	(372)	12,862
Past due by 3 to 6 months	3,097	(721)	2,376
Past due by more than 6 months	2,887	(1,571)	1,317
Total	**75,289**	**(2,810)**	**72,479**
December 31, 2014			
Not past due	64,941	(34)	64,907
Past due by less than 3 months	11,336	(428)	10,909
Past due by 3 to 6 months	3,762	(573)	3,189
Past due by more than 6 months	3,482	(2,178)	1,303
Total	**83,521**	**(3,213)**	**80,308**

In some markets in which 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:

		(euro/000)
Receivables overdue but not impaired	**12/31/2014**	**12/31/2013**
Past due by less than 3 months	10,324	12,862
Past due by more than 3 months	4,212	3,693
Total	**14,536**	**16,555**

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

			(euro/000)
Ageing analysis of protested trade receivables	**Gross value**	**Provision**	**Net value**
December 31, 2013			
Past due by less than 12 months	210	(210)	0
Past due by more than 12 months	2,367	(2,329)	38
Total	2,577	(2,539)	38
December 31, 2014			
Past due by less than 3 months	139	(98)	41
Past due by 3 to 6 months	2,714	(2,488)	226
Total	**2,853**	**(2,586)**	**267**

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

		(euro/000)
Provision for doubtful debts	**12/31/2014**	**12/31/2013**
Opening amount	5,991	4,731
Increases from Business Combination	—	1,062
Provisions	494	450
Use / reversal	(660)	(730)
Reclassification and others	(371)	612
Translation difference	344	(134)
Period end Total	5,798	5,991

The provision for doubtful debts decreased by euro 192 thousand from the prior year. The provision is deemed adequate for presenting receivables at their estimated realizable value given their composition and age and the related guarantees.

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

9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

		(euro/000)
Other receivables	**12/31/2014**	**12/31/2013**
Tax credits	8,414	6,765
Other receivables	3,660	6,225
Other	2,025	1,004
Total other receivables	**14,099**	**13,994**

This item, euro 14.099 million (euro 13.994 million in 2013), presents a decrease of euro 105 thousand from the prior year.

As noted, in 2014 Marcolin S.p.A. and Italian companies Eyestyle Retail and Eyestyle.com adopted the Italian tax consolidation regime for corporate income tax (IRES) purposes, which recognizes 3 Cime S.p.A. as the ultimate parent company. The balance of other receivables consists mainly of receivables of euro 2.597 million due from 3 Cime S.p.A. for the tax consolidation income accrued on the annual tax losses considered recoverable.

Tax credits increased by euro 1.649 million mainly on account of the higher tax advances paid during the year by Marcolin USA and Viva Optique.

10. CURRENT FINANCIAL ASSETS

This item, euro 2.042 million at December 31, 2014 (euro 1.759 million in 2013), includes the euro 1.859 million portion currently due on a loan granted by Marcolin USA to a third party on which interest accrues at market rates, and the euro 182 thousand mark-to-market value of the hedging instruments used by the Parent Company.

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.

It decreased by euro 1.603 million in the period.

The change in this item is described in the consolidated statement of cash flows, which provides information on the 2014 movements in cash and cash equivalents.

12. EQUITY

The Parent Company's share capital is euro 32,312,475 and is composed of 61,458,375 ordinary shares without par value.

The composition of share capital did not change in 2014.

The consolidated statement of changes in equity provides more detailed information on this item.

13. NON-CURRENT FINANCIAL LIABILITIES

This item, euro 199.152 million, was euro 195.891 million at the end of 2013; it has increased by euro 3.261 million.

The difference is due primarily to an increase in financial payables of euro 1.994 million, and euro 1.267 million for the annual deferred transaction cost on the bond issue (under the amortized cost method).

The liability consists mainly of the bond notes issued by the Parent Company, subscribed for a nominal euro 200 million in 2013.[2]

The notes issued, maturing in 2019, were classified as medium/long-term liabilities, and the related payable was accounted for in accordance with IAS 39 (amortized cost) in order to defer the transaction costs pertaining to future periods and to recognize them with the effective interest rate method.

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[2] The notes, which have a six-year maturity and provide for voluntary early redemption, were issued in a single tranche on November 14, 2013. The key features are summarized below:

Purchasers: the notes may be offered and placed (1) in the United States, solely with qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act; (2) in Europe and in Italy solely with qualified investors pursuant to Directive 2003/71/EC, as subsequently amended and integrated, Italian Legislative Decree 58/1998 and CONSOB Regulation 11971/1999 for Issuers, unless in circumstances which are exempt from public offer rules.

Listing: (1) on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and (2) with Borsa Italiana S.p.A. for trading on the extramot pro multilateral trading facility.

Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.

Maturity Date: November 15, 2019.

Form: notes issued in registered form represented by (1) a global certificate representing the notes issued pursuant to Regulation S of the 1933 U.S. Securities Act, and (2) a global certificate representing the notes issued pursuant to Rule 144A of the 1933 U.S. Securities Act.

Interest Rate: annual fixed rate of 8.5% (eight point five percent), payable semi-annually.

Interest Payment Dates: May 15 and November 15 of each year, from May 15, 2014 to the maturity date.

As noted, within the scope of the refinancing transaction, a super senior revolving credit facility was granted, for a maximum amount of euro 25 million, by Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., UniCredit S.p.A. and Goldman Sachs, to be used for ordinary cash flow demands. The credit facility had used for euro 20 million at the end of 2014. With respect to this financing, costs (totaling euro 635 thousand) were deferred, including euro 108 thousand pertaining to 2014.

	Currency	Original amount *(euro)*	Residual amount *(euro)*	Maturity date	Interest rate	Notes
Ministry of productive activities (technological innovation)	euro	793,171	165,087	06.26.2016	1.012%	Subsidized loan obtained under the law 46/82, repayable in 10 annual installments from June 26, 2007
BOND	euro	200,000,000	200,000,000	11.14.2019	8.5%	Bond issued the 14th November 2013 – Half-yearly interests in 15th of May and 15th of November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro	20,000,000	20,000,000	06.03.2019	*Euribor 1/2/3 months + spread 4%*	Super Senior RCF – Revolving facility agreement – Euro 25.000.000 – signed the 18th November 2013
Unicredit S.p.A.	euro	5,000,000	5,000,000	12.31.2018	*Euribor 3 months + spread*	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015

For the sake of exhaustive disclosure, the net financial position is set forth below.

Net financial position / (indebtedness)	**12/31/2014**	**12/31/2013** *(euro/000)*
Cash and cash equivalents	36,933	38,536
Financial receivables	7,497	8,890
Short-term borrowings	(40,021)	(17,626)
Current portion of long-term borrowings	(1,332)	(81)
Long-term borrowings	(199,152)	(195,891)
Total	**(196,075)**	**(166,172)**

In additional to the commitments described subsequently (see Note 20), for the Revolving Credit Facility commitments to comply with financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. According to an analysis conducted at the time of preparation of this report, the covenants were complied with as at December 31, 2014.

14. NON-CURRENT PROVISIONS

This item amounts to euro 8.919 million (euro 18.287[3] million in 2013), a decrease of euro 9.368 million.

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

(euro/000)

Long term provision	Provision for severance employee indemnities	Provision for agency terminations	Provision for other risks	Total
12/31/2013	**3,391**	**1,711**	**13,186**	**18,287**
Allowances	83	—	1,089	1,172
Use / reversal	(122)	(67)	(12,147)	(12,336)
Actuarial loss / (gain)	326	35	—	361
Translation difference	—	37	20	57
Other changes	—	(25)	1,402	1,377
Total	**3,678**	**1,691**	**3,550**	**8,919**

The employee severance indemnity provision ("TFR") recognized in the Parent Company's financial statements for euro 3.269 million[4], was measured with an actuarial calculation at the end of the year.[5]

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 reasonably possible at that date, in absolute terms;
- next year's service cost;
- the average vesting period of the defined benefit obligation;
- payments foreseen under the plan.

Sensitivity analysis	DBO* at 12/31/2014
Inflation rate +0.25%	3,717
Inflation rate - 0.25%	3,619
Actuarial rate +0.25%	3,590
Actuarial rate - 0.25%	3,749
Turnover rate - 1%	3,636
Turnover rate +1%	3,703

* Defined Benefit Obligation

Next year service cost Vesting period	
2015 Service Cost	0.00
Vesting period	9.2

Years	Payments foreseen
1	343
2	246
3	227
4	235
5	202

3 It is affected by reclassification, specifically for euro 1.154 million from a provision for risks and charges deemed non-current.

4 The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 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.

5 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: 0.91%; 6) TFR growth rate: 1.95% for 2015, 1.2% for 2016, 1.5% for 2017 and 2018, 2% for 2019 on; 7) inflation rate: 1.95% for 2015, 2.4% for 2016, 2.625% for 2017 and 2018, 3% for 2019 on.

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

Finally, the provision for other risks presents the estimated amount, in a medium/long-term time horizon, of the potential losses regarding some licenses, calculated on the basis of future earnings projections, given the expected turnover growth and related contractual obligations. The provision was used following to the materialization of the conditions for its adjustment, on the basis of the best available information.

15. OTHER NON-CURRENT LIABILITIES

At the end of the period the amount of other non-current liabilities was euro 4.742 million (compared to the euro 3.954 million of 2013), an increase of euro 788 thousand year on year, primarily concerning other non-trade payables due after 12 months by Viva Optique.

16. TRADE PAYABLES

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

		(euro/000)
Trade payables by geographical area	**12/31/2014**	**12/31/2013**
Italy	30,654	17,939
Rest of Europe	9,946	8,554
North America	19,047	20,708
Rest of World	42,675	18,062
Total	**102,322**	**65,263**

The euro 37.059 million increase in trade payables is attributable to the inventory increase of the last quarter of the year, supporting the sales growth.

The average payment period for suppliers, or days payable outstanding (DPO), improved considerably, in the Parent Company's case from 114 to 141 days.

The recognized 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 on December 31, 2014 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

The current financial liabilities amount to euro 41.353 million (compared to the euro 17.707 million of 2013), an increase of euro 17.708 million year on year.

The item includes:

- euro 35.532 million in short-term borrowings from banks (euro 11.233 million in 2013);
- euro 3.185 million due to other financiers, primarily the interest accrued on the bond notes;
- euro 2.606 in other financial payables due within 12 months, including euro 1.685 million for financial liabilities with the HVHC, Inc. group for the acquisition of Viva, owed by Marcolin USA Inc.

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

(euro/000)

Borrowings - maturity	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	15,039	—	—	—	15,039
Loans	21,244	2,450	1,250	—	24,944
Other financiers	5,070	3,537	191,914	—	200,521
12/31/2014	**41,353**	**5,987**	**193,164**	**—**	**240,504**

The disclosures regarding the hedges in place on December 31, 2014 are presented below. All the agreements in effect were stipulated by the Parent Company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss

During the year, the Parent Company stipulated derivative contracts regarding the U.S. dollar exchange rate with Veneto Banca Holding to mitigate the risk of exchange rate variability, some of which were still in effect on the reporting date.

The fair value of such instruments on December 31, 2014 was a positive euro 182 thousand.

Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on purchases from suppliers 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.

On the reporting date, no derivatives to hedge against interest rate risk were in place.

18. CURRENT PROVISIONS

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

(euro/000)

Current provisions	Provisions for sales return	Other provisions	Total
12/31/2013	16,704	4,583	**21,287**
Allowances	—	550	**550**
Use / reversal	(2,645)	(2,745)	**(5,390)**
Actuarial loss / (gain)	—	—	**—**
Translation difference	(422)	67	**(355)**
Other changes	49	(1,342)	**(1,293)**
12/31/2014	**13,686**	**1,113**	**14,799**

The provisions for sales returns reflect the estimate made, on the basis of the best available information, of potential losses emerging on product returns from customers and product warranties, for euro 13.686 million.

Apart from the Parent Company, the provisions were reported mainly by Viva Optique, Marcolin U.S.A. and Marcolin France.

The other provisions, which totaled euro 1.113 million, refer to potential risks originating mainly from: 1) legal obligations; 2) the current portion of potential losses regarding some licenses, calculated on the basis of earnings projections, given the expected business growth and related contractual obligations.

19. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

		(euro/000)
Other current liabilities	**12/31/2014**	**12/31/2013**
Payables to personnel	11,073	8,666
Social security payables	2,276	2,212
Other accrued expenses and deferred income	478	631
Total	**13,827**	**11,509**

The other current liabilities consist primarily of euro 11.073 million due to personnel (euro 8.666 million in 2013) and euro 2.276 million in social security (euro 2.212 million in 2013).

20. COMMITMENTS AND GUARANTEES

Guarantees associated with the bond issue

With a notarial deed dated October 31, 2013, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal euro 200,000,000 were established.

The notes are secured by collateral provided by the Issuer, controlling shareholder Marmolada S.p.A. and some subsidiaries of the Issuer to discharge the payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- a pledge over the Issuer's intellectual property rights;
- a security assignment over insurance policy receivables due to the Issuer;
- a security assignment over trade receivables due to the Issuer;
- a security assignment over receivables due to the Issuer by Marcolin USA, Inc. originating from loans granted to provide the company with the financing necessary to pay the purchase price/acquire the share capital of Viva Optique Inc.;
- a pledge over all Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all Marcolin (Deutschland) Gmbh shares owned by the Issuer;
- a pledge over all Marcolin USA, Inc. shares owned by the Issuer;;
- a pledge over all shares of Viva Optique Inc., directly controlled by Marcolin USA, Inc., owned by Marcolin USA, Inc.;
- a pledge over 65% of the shares of Viva Europa Inc., controlled indirectly by the Issuer, through Viva Optique Inc.;
- a pledge over 65% of the shares of Viva Eyewear Ltd (UK), controlled indirectly by the Issuer, through Viva Europa Inc.;
- a security agreement over all material assets of Marcolin USA, Inc.;
- a security agreement over all material assets of Viva Optique, Inc.

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2014 these future commitments amounted to euro 323.395 million (euro 328.847 million in 2013), including euro 57.464 million falling due within the next year.

		(euro/000)
Guaranteed minimum Royalties due	**31.12.2014**	**31.12.2013**
Within one year	57,464	58,930
In one to five years	222,444	216,222
After five years	43,487	53,695
Total	**323,395**	**328,847**

Rent and leases

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

		(euro/000)
Commitments	**12/31/2014**	**12/31/2013**
Rent due		
Within one year	2,053	2,059
In one to five years	3,826	3,649
After five years	1,266	444
Total	**7,145**	**6,152**
Operating lease payments		
Within one year	961	807
In one to five years	514	678
After five years	—	—
Total	**1,475**	**1,485**
Total commitments	**8,620**	**7,637**

The rent commitments refer mainly to the office leases of the American companies.

The Group also has guarantees for third parties of euro 162 thousand (euro 161 thousand in 2013).

MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statement results are presented in comparison with the 2013 results.

Because the Marcolin Group acquired control of the Viva group in December 2013, the comparative figures of these financial statements are not truly meaningful for the purpose of comparison with the 2013 income statement results.

The 2013 figures include the Viva group's results for the month of December (when control was acquired), and whereas the 2014 figures include the results for the entire year

21. NET REVENUES

The following table sets forth the 2014 net revenues by geographical area:

				(euro/000)
	2014		**2013**	
Net Revenues by geographic segment	**Turnover**	**% of total**	**Turnover**	**% of total**
Europe	130,406	36.0%	91,414	43.1%
U.S.A	140,187	38.7%	61,421	28.9%
Asia	30,701	*8.5%*	23,130	10.9%
Rest of World	60,839	*16.8%*	36,362	17.1%
Total	**362,133**	**100.0%**	**212,327**	**100.0%**

The 2014 net revenues are euro 362.133 million, compared to euro 212.327 million for 2013 (including euro 8.163 million referring to the Viva group solely for the month of December).

22. COST OF SALES

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

(euro/000)

Cost of sales	2014	% of net revenues	2013	% of net revenues
Purchase of materials and finished products	125,668	34.7%	51,187	24.1%
Changes in inventories	(25,398)	(7.0%)	(1,049)	(0.5%)
Cost of personnel	19,480	5.4%	17,474	8.2%
Outsourced processing	10,478	2.9%	6,946	3.3%
Amortization, depreciation and writedowns	2,091	0.6%	2,170	1.0%
Other costs	13,041	3.6%	5,155	2.4%
Total	**145,360**	**40.1%**	**81,883**	**38.6%**

The cost of sales is euro 145.360 million, compared to euro 81.883 for 2013 (including euro 3.429 million referring to the Viva group solely for the month of December)

The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of the 2014 distribution and marketing expenses:

(euro/000)

Distribution and marketing expenses	2014	% of net revenues	2013	% of net revenues
Cost of personnel	59,152	16.3%	30,152	14.2%
Commissions	9,831	2.7%	6,229	2.9%
Amortization	4,828	1.3%	2,219	1.0%
Royalties	44,391	12.3%	33,115	15.6%
Advertising and PR	23,845	6.6%	14,839	7.0%
Other costs	27,203	7.5%	15,134	7.1%
Total	**169,250**	**46.7%**	**101,688**	**47.9%**

They amount to euro 169.250 million, against euro 101.688 million for 2013.

The personnel expenses include non-recurring costs of euro 1.158 million deriving from *ad-personam* agreements referring to changes in certain positions, and costs for reorganizing the business functions.

With respect to advertising and public relations ("PR") expenses, the Group continued to invest in advertising and marketing to promote the brands it handles, including both portfolio and house brands. Although in some cases the volumes were not at full capacity, Marcolin is aware of the importance of ongoing advertising and promotional support, so it maintained its level of advertising expense planned in 2014 to foster the sales of the brands in the portfolio.

Concerning royalties, in a year of heavy investment in this area, 2014 was impacted by certain licenses with revenue streams that were not at full capacity (new licenses and/or new collections), so the guaranteed minimum royalties required under certain licensing agreements were not adequately absorbed. Pursuant to certain operations and agreements stipulated during the year, in 2015 it will be possible to improve the profitability of some licenses, thanks to better absorption of royalties and advertising contributions which in 2014 were not fully saturated by the sales realized.

Other costs include business expenses such as:

- shipping costs on sales;
- marketing expenses incurred for the sales network;
- services regarding the sales area;
- rent payments;
- travel expenses;
- telephone and insurance expenses;
- entertainment expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are set forth below:

	(euro/000)	
General and administrative expenses	**2014**	**2013**
Cost of personnel	12,685	8,387
Writedowns of receivables	494	450
Amortization and writedowns	2,039	1,077
Other costs	16,493	10,793
Total	**31,711**	**20,707**

The 2014 general and administrative expenses amount to euro 31.711 million, against euro 20.707 million for 2013 (including euro 1.078 million referring to Viva for the month of December).

The personnel expenses include non-recurring reorganization costs of euro 260 thousand.

The other costs include:

- 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;
- other general and administrative expenses (sundry purchases, telephone expenses, insurance, travel expenses, rent and rentals).

25. EMPLOYEES

The 2014 average and end-of-period number of employees of the various Group companies (including the work force on temporary contracts) is broken down below in comparison with the previous year:

Employees	**Final number**		**Average number**	
Category	**12/31/2014**	**12/31/2013**	**2014**	**2013**
Managers	57	68	61	54
Staff	854	882	876	956
Manual workers	594	531	556	489
Total	**1,505**	**1,481**	**1,493**	**1,499**

The average number for 2013 refers to a constant perimeter.

26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses	2014	2013	% of net revenues
			(euro/000)
Transport refund	3,069	1,331	0.6%
Release of provision	146	285	0.1%
Other income	1,713	1,726	0.8%
Total other operating income	**4,928**	**3,342**	**1.6%**
Losses on receivables	—	—	—
Other expenses	(808)	(1,432)	(0.7%)
Total other operating expenses	**(808)**	**(1,432)**	**(0.7%)**
Total	**4,120**	**1,910**	**0.9%**

The balance of this item is net operating income of euro 4.120 million.

Other income consists mainly of euro 353 thousand charged to customers for advertising materials, other charges to customers of euro 570 thousand, contingent gains (unrealized costs regarding previous periods, costs that were less than the amount originally estimated for them) and insurance compensation.

Other operating expenses refer primarily to the lump sum paid by Marcolin USA for costs regarding Viva integration.

27. FINANCIAL INCOME AND COSTS

The financial income and costs are presented below:

Financial income and costs	2014	2013
		(euro/000)
Financial income	18,203	2,886
Financial costs	(31,033)	(24,655)
Total	**(12,830)**	**(21,769)**

The composition of financial income is shown below:

Financial income	2014	2013
		(euro/000)
Interest income	—	—
Other income	634	467
Gains on currency exchange	17,569	2,419
Total other income	**18,203**	**2,886**

The composition of finance costs is shown below:

Financial costs	2014	2013
		(euro/000)
Interest expense	(20,944)	(20,348)
Financial discounts	(2,029)	(909)
Losses on currency exchange	(8,060)	(3,398)
Total	**(31,033)**	**(24,655)**

Financial income and costs result in net finance costs of euro 12.830 million.

This item, the balance between costs of euro 31.033 million and income of euro 18.203 million, was influenced by the following items:

- profits on currency exchange of euro 17.569 million, including euro 5.250 million in profits on currency exchange and euro 12.318 million in financial income referring to end-of-period adjustments to a receivable due to Marcolin S.p.A. from Marcolin USA Corp. denominated in U.S. dollars, which increased due to the appreciation of the U.S. dollar;
- interest expense of euro 20.944 million, consisting of euro 17.000 million on the bond notes issued by Marcolin S.p.A., paid semiannually in May and November, euro 1.375 million in reversed bond issue transaction costs, accounted for under IFRS with the financial method of amortized cost over the life of the bond notes (maturing November 2019), euro 1.310 in net interest costs (including euro 926 thousand referring to the Parent Company, Marcolin S.p.A., and euro 384 thousand referring to subsidiaries), and euro 1.252 million in additional finance costs regarding actualization and translation differences, including euro 580 thousand referring to the Parent Company;
- the financial discounts totaled euro 2.029 million, nearly entirely attributable to foreign subsidiaries;
- the losses on currency exchange were euro 8.060 million, consisting of euro 7.839 million in foreign exchange losses (and inclusive of the end-of-period adjustments to items in foreign currency) and euro 220 thousand in negative translation differences.

Currency exchange differences emerging on trade transactions resulted in a net cost of euro 2.589 million (including euro 1.394 million referring to the Parent Company), to which must be added additional financial income of euro 12.318 million referring to the aforementioned receivable due to Marcolin S.p.A. from Marcolin USA Corp.

28. INCOME TAX EXPENSE

Income taxes are euro 6.695 million, including current taxes of euro 4.254 million, deferred taxes of euro 5.795 million, income from tax consolidation of euro 2.597 million and tax income referring to the previous period of euro 758 thousand.

		(euro/000)
Income tax expense	**12.31.2014**	**12.31.2013**
Current taxes	(4,254)	(3,616)
Deferred taxes	(5,795)	(582)
Income from Tax Consolidation	2,596	3,999
Taxes relating to prior year	758	(2)
Total other income	**(6,695)**	**(201)**

The Parent Company's current taxes of 2014 are euro 1.566 million, and those of foreign subsidiaries are euro 2.688 million. The Parent Company's deferred taxes are euro 6.861 million, and those of foreign subsidiaries are euro 1.066 million.

Income from tax consolidation is euro 2.428 million for the Parent Company, euro 74 thousand for Eyestyle.com and euro 95 thousand for Eyestyle Retail.

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.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq.* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Office of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.

From the current year to December 31, 2016, the tax consolidation regime will enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Deferred tax amounts and the changes therein are presented in the following tables:

(euro/000)

Deferred tax assets	Temporary differences 12/31/2014	Tax on temporary differences 12/31/2014	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013
Accumulated tax losses	40,458	12,438	15,128	5,381
Grants and compensation deductible on a cash basis	24,242	8,977	11,401	4,375
Inventory provisions	20,474	7,029	23,791	7,215
Provision for return risks	11,618	4,404	10,490	3,565
Intangible assets subject to taxation	8,090	2,993	8,657	3,030
Taxed provision for doubtful debts	3,500	1,120	4,266	1,448
Unrealized currency exchange differences	2,538	705	1,442	396
Income from CFC (controlled foreign companies)	2,098	577	2,098	577
Non-deductible temporary amortization	(1,029)	(392)	—	—
Supplementary client indemnity provision	978	307	1,254	394
Other	879	329	634	206
Provisions for risks and charges	155	49	14,241	4,472
Total deferred tax assets	**114,001**	**38,536**	**93,403**	**31,060**

(euro/000)

Deferred tax liabilities	Temporary differences 12/31/2014	Tax on temporary differences 12/31/2014	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013
Unrealized currency exchange differences	(12,951)	(3,558)	(265)	(35)
Property, plant and equipment and intangible assets	(9,363)	(15)	(10,086)	152
Equity-method accounting of JV and other equity investments	(8,665)	(2,946)	(4,084)	(1,621)
Finance costs deducted on a cash basis	(8,069)	(2,219)	—	—
Other	(689)	53	(477)	(182)
Discounting of receivables/payables to present value	(598)	(197)	(804)	(277)
Actuarial gain / losses on TFR under IAS	(460)	53	(168)	(46)
Intercompany profit	4,592	1,442	2,521	882
Total deferred tax liabilities	**(36,204)**	**(7,387)**	**(13,362)**	**(1,127)**
Total deferred assets / liabilities	**77,797**	**31,148**	**80,041**	**29,933**

29. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by uniform category in the table below, which presents their fair value in accordance with IFRS 7.

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

The hedging agreements used by the Group are classified as O.T.C. (over-the-counter) instruments, so they do not have a public price available on official exchange markets. Discounted cash flow models were used to measure such derivatives.

(euro/000)

Categories of financial assets	Trade receivables	Financial assets	Cash and cash equivalents
2015			
Loans and other financial receivables	80,576	7,497	36,933
Financial assets at fair value through P&L	—	—	—
Held to maturity investments	—	—	—
Financial assets available for sale	—	—	—
Total	**80,576**	**7,497**	**36,933**

(euro/000)

Categories of financial liabilities	Trade payables	Financial liabilities	Bond
2015			
Financial liabilities at fair value through P&L	—	—	—
Derivatives used for hedging	—	—	—
Other financial liabilities and amortized cost	102,322	43,918	194,196
Liabilities as under IAS 17	—	2,391	—
Total	**102,322**	**46,309**	**194,196**

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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 2014 have to do with the Viva group integration and reorganization activities.

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 2014 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, during the year transactions took place with the equity-accounted associates and other related parties.

They were of a trade nature, conducted on an arm's length basis; the related-party transactions regarded licensing agreements in particular.

The transactions and outstanding balances with respect to related parties as at December 31, 2014 are shown below, as required by IAS 24:

(euro/000)

Company	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Tod's S.p.A	2,317	747	755	238	Related party
Pai Partners Sas	164	—	80	—	Related party
Coffen Marcolin Family	703	—	235	—	Related party
O.T.B. Group	1,798	8	3,495	2	Related party
3 Cime S.p.A.	—	—	—	2,597	Consolidating
Total	**4,981**	**755**	**4,566**	**2,838**	

All related party transactions are carried out at arm's length.

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

(euro/000)

	2014			2013		
	Board of Directors	Statutory Auditors	Other	Board of Directors	Statutory Auditors	Other
Base fee	389	100	—	368	90	—
Salaries and benefits	674	—	—	642	—	—
Total	**1,063**	**100**	**—**	**1,010**	**90**	**—**

Other information pursuant to Italian Civil Code Article 2427, point 6 bis

The following table presents the 2014 fees of the auditing firm, PricewaterhouseCoopers S.p.A., for audit performed by that firm, as required under Italian Civil Code Article 2427, point 6 *bis*.

(euro/000)

Audit and other services	Amount
Audit	219
Other consulting services	96
Total	**314**

SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates. Segment reporting is based on aggregation by geographical area according to the location of the Group's companies.

Accordingly, the net revenues by geographical segment refer to the source of the sales rather than to the end market.

(euro/000)

Segment reporting	ITALY		FRANCE		REST OF EUROPE	
	2014	2013*	2014	2013*	2014	2013*
Net revenues	150,531	123,464	37,145	37,297	50,337	53,052
Intersegment revenues	—	133	—	—	—	—
Net revenues third parties	150,531	123,331	37,145	37,297	50,337	53,052
Gross profit	66,415	56,426	21,654	22,550	24,241	28,503
In % of net revenues	44.1%	45.7%	58.3%	53.3%	48.2%	53.0%
Operating profit	9,915	1,744	558	1,023	13,366	3,907
Interest in P / (L) of equity-accounted associates	—	706	—	—	—	—
Assets	590,806	504,675	17,696	18,666	46,980	25,362
Investments in Associates	—	86	—	—	(4,208)	—
Liabilities	(376,806)	(296,575)	(13,457)	(11,195)	(15,411)	(11,802)
Capital expenditure	—	3,936	—	1	—	66
Amortization and depreciation	(5,952)	(4,613)	(434)	(176)	(385)	(450)
Other non cash items	2,585	4,190	(446)	(17)	(779)	(71)

(euro/000)

Segment reporting	NORTH AMERICA		OTHER & CONSOLIDATION		MARCOLIN GROUP	
	2014	2013*	2014	2013*	2014	2013*
Net revenues	158,059	156,225	(33,938)	(157,711)	362,133	212,327
Intersegment revenues	—	—	—	(133)	—	—
Net revenues third parties	158,059	156,225	(33,938)	(157,578)	362,133	212,327
Gross profit	82,404	93,804	22,059	(70,839)	216,773	130,444
In % of net revenues	52.1%	59.8%	-65.0%	-20.2%	59.9%	61.5%
Operating profit	(3,612)	10,377	(296)	(7,093)	19,932	9,959
Interest in P / (L) of equity-accounted associates	192	—	(192)	(706)	—	—
Assets	338,139	291,915	(373,304)	(285,978)	620,318	554,639
Investments in Associates	951	—	3,257	(15)		71
Liabilities	(176,415)	(143,046)	184,584	122,954	(397,505)	(339,664)
Capital expenditure	—	384	—	192	—	4,579
Amortization and depreciation	(4,214)	(3,412)	1,533	2,735	(9,452)	(5,916)
Other non cash items	(3,148)	204	4,366	83	2,578	4,389

No secondary segments were identified.

INDEPENDENT AUDITORS REPORT

To the sole shareholder of
Marcolin SpA

1 We have audited the consolidated financial statements of Marcolin SpA (the "**Company**" and together with its subsidiaries the "**Marcolin Group**") which comprise the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and related explanatory notes (the "**Consolidated Financial Statements**"). The directors of the Company are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union (the "**EU IFRS**"). Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The Consolidated Financial Statements present, for comparative purposes, the prior year consolidated financial figures of the Cristallo Group, whose parent company Cristallo SpA was incorporated by reverse merger into Marcolin SpA on October 28, 2013. The comparative figures and related disclosures presented in the notes have been examined by us for the purpose of our audit of the Consolidated Financial Statements.

3 In our opinion, the consolidated financial statements of the Marcolin Group as of 31 December 2013 and for the year then ended comply with the EU IFRS; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result on operations and cash flows of the Marcolin Group as of December 31, 2013 and for the year then ended.

4 As disclosed in the Consolidated Financial Statements, we emphasise that, on December 3, 2013, the Marcolin Group completed the acquisition of the Viva Optique Group. As allowed by IFRS 3 – *Business Combination*, the initial accounting of the acquisition was determined provisionally. The definitive accounting, together with the purchase price allocation, shall be completed within 12 months from the acquisition date.

Bologna, April 18, 2014

PricewaterhouseCoopers SpA

/s/ Edoardo Orlandoni

Edoardo Orlandoni
(Partner)

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2013 and 2012

(euro/000)

	Notes	12/31/2013	12/31/2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*1*	23,489	20,322
Intangible assets	*2*	34,655	21,202
Goodwill	*2*	256,917	189,722
Investments in subsidiaries and associates	*3*	2,030	86
Deferred tax assets	*4*	24,326	22,244
Other non-current assets	*5*	869	85
Non-current financial assets	*6*	7,132	8,608
Total non-current assets		**349,418**	**262,269**
CURRENT ASSETS			
Inventories	*7*	72,907	47,468
Trade receivables	*8*	72,468	53,589
Other current assets	*9*	13,994	8,888
Current financial assets	*10*	1,759	1,978
Cash and cash equivalents	*11*	38,536	45,200
Total current assets		**199,664**	**157,123**
TOTAL ASSETS		**549,082**	**419,392**
EQUITY	*12*		
Share capital		32,312	1,200
Additional paid-in capital		151,994	159,660
Legal reserve		3,853	—
Other reserves		43,638	—
Retained earnings (losses)		(4,811)	—
Profit (loss) for the year		(12,011)	(4,811)
Non-controlling interests		—	—
TOTAL EQUITY		**214,975**	**156,049**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	*13*	195,891	101,719
Non-current provisions	*14*	18,287	19,851
Deferred tax liabilities	*4*	2,987	312
Other non-current liabilities	*15*	3,954	43
Total non-current liabilities		**221,119**	**121,925**
CURRENT LIBILITIES			
Trade payables	*16*	64,711	58,790
Current financial liabilities	*17*	17,707	8,605
Current provisions	*18*	14,422	8,940
Tax liabilities	*28*	4,640	1,901
Other current liabilities	*19*	11,508	63,182
Total current liabilities		**112,988**	**141,418**
TOTAL LIABILITIES		**334,107**	**263,343**
TOTAL LIABILITIES AND EQUITY		**549,082**	**419,392**

(*) Some values of the 2012 consolidated financial statements of the Cristallo Group (now Marcolin Group) have been restated with respect to those published in the bond offering memorandum due to the completion of the purchase price allocation process for the Marcolin Group, acquired on December 5, 2012.

Marcolin S.p.A.
CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended December 31, 2013 and 2012

(euro/000)

	Notes	2013	%	2012	%
NET REVENUES	*21*	**212,327**	**100.0%**	**—**	**na**
COST OF SALES	*22*	**(81,883)**	**(38.6)%**	**—**	**na**
GROSS PROFIT		**130,444**	**61.4%**	**—**	**na**
Distribution and marketing expenses	*23*	101,688	(47.9)%	—	na
General and administrative expenses	*24*	(20,707)	(9.8)%	(4,338)	na
Other operating income / expenses:	*26*				
- other operating income		3,354	1.6%	—	na
- other operating expenses		(1,432)	(0.7)%	—	na
TOTAL OPERATING INCOME / EXPENSES		**1,922**	**0.9%**	**—**	**na**
EFFECTS OF ACCOUNTING FOR ASSOCIATES	*3*	**(12)**	**(0.0)%**	**—**	**na**
OPERATING INCOME / (LOSS) – EBIT		**9,959**	**4.7%**	**(4,338)**	**na**
FINANCIAL INCOME AND COSTS	*27*				
- financial income		2,886	1.4%	53	na
- financial costs		(24,655)	(11.6)%	(526)	na
TOTAL FINANCIAL INCOME AND COSTS		**(21,769)**	**(10.3)%**	**(473)**	**na**
LOSS BEFORE TAXES		**(11,810)**	**(5.6)%**	**(4,811)**	**na**
Income tax expense	*28*	(201)	(0.1)%	—	na
Profit attributable to non-controlling interests		—	0.0%	—	na
NET LOSS FOR THE YEAR		**(12,011)**	**(5.7)%**	**(4,811)**	**na**

(euro/000)

	2013	2012
NET LOSS FOR THE YEAR	**(12,011)**	**(4,811)**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes of euro 46 thousand	122	—
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS	**122**	**—**
Other items that will be subsequently reclassified to profit or loss.		—
Change in foreign currency translation reserve	(2,592)	—
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(2,592)**	**—**
CONSOLIDATED NET LOSS FOR THE YEAR	**(14,481)**	**(4,811)**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended December 31, 2013 and 2012

(euro/000)

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves				Period result	Capital and reserves net total	Non-controlling interests in equity	Total
				S.holders deposit in s/capital	Other reserves	Retained earnings/ (losses)	Profit/(loss) for the year				
Capital constitution of August 2, 2012	**120**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**120**
Capital increase of December 4, 2012	880	129,860	—	—	—	—	—	—	—	—	**130,740**
Capital increase of December 20, 2012	200	29,800	—	—	—	—	—	—	—	—	**30,000**
- Profit/(loss) for the year	—	—	—	—	—	—	—	(4,811)	—	—	**(4,811)**
Total comprehensive income	—	—	—	—	—	—	—	(4,811)	—	—	**(4,811)**
Balance as of December 31, 2012	**1,200**	**159,660**	**—**	**—**	**—**	**—**	**—**	**(4,811)**	**—**	**—**	**156,049**
Capital increase of February 6,2013	—	—	—	27,300	—	—	—	—	27,300	—	**27,300**
Allocation of 2012 profit	—	—	—	—	—	—	(4,811)	4,811	—	—	**—**
Merger impact	31,112	(7,666)	3,853	(27,300)	—	—	—	—	(1)	—	**(1)**
Capital increase of November 29, 2013	—	—	—	24,000	—	—	—	—	24,000	—	**24,000**
Capital increase of December 3, 2013	—	—	—	22,108	—	—	—	—	22,108	—	**22,108**
- Profit/(loss) for the year	—	—	—	—	—	—	—	(12,011)	(12,011)	—	**(12,011)**
- Other components of comprehensive income	—	—	—	—	(2,592)	122	—	—	(2,470)	—	**(2,470)**
Total comprehensive income	—	—	—	—	(2,592)	122	—	(12,011)	(14,481)	—	**(14,481)**
As of December 31, 2013	**32,312**	**151,994**	**3,853**	**46,108**	**(2,592)**	**122**	**(4,811)**	**(12,011)**	**214,975**	**—**	**214,975**

Marcolin S.p.A.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended December 31, 2013 and 2012

	Notes	2013	2012
			(euro/000)
OPERATING ACTIVITIES			
Net loss for the year		*(12,011)*	*(4,811)*
Depreciation and amortization	*1.2*	5,411	—
Provisions	*14.17*	(2,806)	—
Impairment losses		—	—
Income tax expense	*28*	201	—
Accrued interest expense	*27*	19,881	—
Adjustments to other non-cash items		1,034	—
Cash generated by operations		*11,710*	*(4,811)*
(Increase) decrease in trade receivables	*8*	(1,300)	—
(Increase) decrease in other receivables	*9*	(88)	—
(Increase) decrease in inventories	*7*	3,717	—
(Decrease) increase in trade payables	*16*	(11,260)	2,925
(Decrease)/increase in other liabilities	*15.19*	(931)	—
(Use) of provisions	*14.18*	(3,574)	—
(Decrease)/increase in current tax liabilities	*28*	(1,383)	—
Adjustments to other non-cash items		5,524	—
Income taxes paid		(1,938)	(440)
Interest paid		(17,452)	—
Cash used for current operations		*(28,685)*	*2,485*
Net cash from /(used in) operating activities		**(16,975)**	**(2,326)**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	*1*	(2,615)	—
Proceeds from the sale of property, plant and equipment	*1*	(30)	—
(Purchase) of intangible assets		—	—
(Investments) in subsidiaries and associates	*2*	(1,512)	
Net cash outflow on business combinations net of the liquidity acquired (Marcolin Group)		(53,619)	(194,212)
Net cash outflow on business combinations net of the liquidity acquired (Viva)		(74,126)	—
Net cash from /(used in) investing activities		**(131,902)**	**(194,212)**
FINANCING ACTIVITES			
Loans granted			
- Increase		—	—
- Decrease	*6*	1,600	—
Net increase (decrease) in bank borrowings		1,934	—
Loans taken out	*13.17*		
- new loans		252,600	80,878
- repayments		(164,514)	—
Capital increase		51,300	160,860
Net cash from /(used in) financing activities		**142,920**	**241,738**
Net increase/(decrease) in cash and cash equivalents		**(5,958)**	**45,200**
Effect of foreign exchange rate changes		(707)	
Cash and cash equivalents at beginning of year		**45,200**	**—**
Cash and cash equivalents at end of year		**38,536**	**45,200**

Marcolin S.p.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of and for the years ended December 31, 2013 and 2012

INTRODUCTION

In 2013 Marcolin S.p.A. ("Marcolin" or the "Parent Company" and together with its subsidiaries the "Group" or the "Marcolin Group") and the parent company, Cristallo S.p.A., were involved in a reverse merger whereby in October Cristallo was incorporated into Marcolin.

In December 2012 Cristallo purchased from Marcolin's former shareholders 78.6% of Marcolin S.p.A.'s share capital, for a price of euro 4.25 per share (with a total payment of euro 207,579,057), financed with a short-term credit facility (for euro 87,500,000) and equity for euro 160,740,000 (from the financial resources made available by the sole shareholder, Marmolada S.p.A., through the subscription and payment of two subsequent capital increases with additional paid-in capital).

As a result of the change of control, since Marcolin was listed on the electronic share market (Mercato Telematico Azionario – MTA) segment of the Italian stock exchange, Cristallo S.p.A. had to launch a mandatory full public tender offer ("Offer") of the remaining ordinary Marcolin shares outstanding, representing 21.4% of the Issuer's share capital (the offering prospectus was approved by Consob Resolution on December 21, 2012).

The acceptance period began in January 2013 and ended in February 2013.

On the closing date of the Offer, shares corresponding to approximately 78.0% of the shares involved in the public offer and 16.7% of Marcolin's share capital were tendered.

Those shares, added to the Marcolin shares already owned by Cristallo S.p.A. and the treasury shares (corresponding to 1.1% of capital), resulted in Cristallo owning 59,891,105 shares, equal to 96.4% of the Issuer's share capital, on the Offer payment date.[1]

Therefore, under Consolidated Finance Act Article 108, first paragraph, the legal conditions were present for the obligation to buy, and right to buy, the remaining outstanding shares not tendered into the Offer, corresponding to 3.6% of the Issuer's share capital.

As a result of those events, Cristallo owned 100% of Marcolin's share capital. Therefore, with Borsa Italiana Provision n. 7645 of February 7, 2013, the delisting of the Issuer's shares from the electronic share market was arranged for February 14, 2013.

Cristallo financed the procedure with liquid resources of euro 29,669,093 and additional equity of euro 27,300,000, again made available by the sole shareholder, Marmolada S.p.A., through another capital increase.

During the year, procedures for the merger of Cristallo into Marcolin commenced within the scope of an extensive reorganization and optimization plan for the business, industrial and strategic purposes of the Group of which Cristallo and Marcolin are part. The reverse merger enabled Marcolin to retain its own business and legal relationships, with significant savings in terms of costs and organizational demands compared to a direct merger.

The main objective of the merger, which was part of the reorganization and restructuring plan described in the public offering prospectus, was to shorten the chain of command in order to improve flexibility and operational efficiency, reduce corporate and administrative expenses, and rationalize the financial indebtedness involving the Group companies, thereby resulting in greater financial stability.

Since Cristallo used bank loans to finance the original acquisition of Marcolin (indebtedness that was assumed by the surviving company), the merger is legally defined as a "merger as a result of acquisition with debt", so the procedures set forth in Italian Civil Code 2501-*bis* and 2501-*quinquies* were followed.

On June 26, 2013, Marcolin S.p.A.'s Board of Directors presented the plan of merger through absorption of Cristallo S.p.A. into Marcolin S.p.A., as well as the Directors' Report on the merger plan prepared in accordance

[1] The price of euro 4.25 per share coincided with the contractual valuation of Marcolin shares related to the December 2012 acquisition.

with the Italian Civil Code; on July 8, 2013 Marcolin's extraordinary General Meeting approved the merger plan as well as new By-Laws that used the current text of the absorbed entity.

The deed of merger was stipulated on October 28, 2013 and became effective for tax, accounting and legal purposes on the same date.

The merger took place by assigning the shares of the surviving company, originally owned by the absorbed entity (98.9% of the share capital), to Marmolada S.p.A., Cristallo's sole shareholder. Since the remaining 1.1% consisted of treasury shares, the transaction did not require any swap ratio.

The merger resulted in the cancellation of all Cristallo's shares, assigning the Marcolin shares to the sole shareholder, Marmolada, except for the treasury shares, which were canceled at the end of October 2013.

The Extraordinary General Meeting of October 31, 2013 canceled the 681,000 treasury shares owned by the Parent Company, transferring the nominal value directly to the sole Shareholder, and eliminating the nominal value of the Company's shares in accordance with Italian Civil Code Article 2436, paragraphs 2 and 3.

GENERAL INFORMATION

The explanatory notes set out below form an integral part of these consolidated financial statements and were prepared in accordance with the accounting information updated to December 31, 2013.

These financial statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, revised as required for the measurement of certain financial instruments (with the exception of some revaluations performed in previous periods).

The consolidated financial statements for the year ended December 31, 2013 include the financial statements of the Parent Company, Marcolin S.p.A. and those of its subsidiaries, as well as any Group interests in jointly controlled entities and in associates.

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

Marcolin S.p.A. is the Parent Company of the Marcolin Group, which operates in Italy and abroad in the 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 through the management of qualified contract manufacturers.

The addresses of the subsidiaries and associates are listed below.

Company	Headquarters	Address
Marcolin Asia Ltd	Hong Kong	Units 2207-11, Tower I, Level 22 - Metroplaza, 223 Hing Fong Road - Kwai Fong, N.T.
Marcolin Benelux Sprl	Faimes, Benelux	Rue al Cadorette, 2 - 4317
Marcolin do Brasil Ltda	Jundiai, Brasil	Rua Vigaro J.J. Rodriguez, 905 - 13201 001
Marcolin (Deutschland) GmbH	Ludwigsburg, germany	Monreposstrasse, 55
Marcolin GmbH	Fullinsdorf, Switzerland	Rheinstrasse, 26 - 4414
Marcolin Iberica SA	Barcellona, Spagna	Juan De Austria, 116 - 4a Planta - 08018
Marcolin International BV	Amsterdam, Olanda	Herikerbergweg 238
Marcolin Portugal Lda	Lisbona, Portugal	Rua Jose Travassos, 15/B 1600-410
Marcolin (UK) Ltd	Newbury, Uk	Building 107 - New Greenham Park-RG19 6HN
Marcolin Usa Inc	New York, Usa	232 Madison Avenue Lbby - NY 10016
Marcolin France Sas	Parigi, France	86, Bis Rue Amelot - 75011
Eyestyle Retail Srl	Milano, Italy	Corso Venezia, 36 - 20121
Eyestyle.com Srl	Longarone, Italy	Zona Industriale Villanova, 4 - 32013
Eyestyle Trading (Shanghai) Co., Ltd	Shangai, China	Unit 313, no.555 Anyuan Road, Jingan District
Finitec Srl in liquidazione	longarone, Italy	Zona Industriale Villanova - 32013
Viva Optique Inc.d/b/a Viva International Group	Somerville, Usa	Route 22 west, 3140 - 08876 NJ
Viva Europa Inc.	New Jersey, USA	3140 Route 22 West, Somerville, NJ 08876
Viva IP, Inc	New Jersey, USA	3140 Route 22 West, Somerville, NJ 08876
Viva Brasil Comercio Produtos Opticos Ltda	Sao Paulo, Brasil	Rua Umbù, 219 Térreo, Alphaville, 13098/325 Campinas, SP
Viva Canada Inc.	New Brunswick, Canada	671 Malenfant Blvd., Dieppe, NB, E1A 5T8
Viva France Sas	Pontaut Combault, France	18 rue de Prè des Anulnes, Z.I. des Arpents, 77340 Pontault Combault
Viva Eyewear Hong Kong Ltd	New Territories, Hong Kong	Workshop A-E, 8th Floor Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung
Viva Italia	Operation Ceased	
Viva International, Inc d/b/a Viva Japan	Operation Ceased	
Viva Eyewear UK Ltd	North Yorkshire, UK	1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB
Viva Optique de Mexico SA de CV	Edo, Mexico	Boulevard Toluca No. 128, Col. San Andres Atoto, C.P. 53500, Naucalpan, Edo
Viva Deuschland	Schwaebisch Gmund, Germany	Oderstrasse 2, Schwaebisch Gmund
Viva Eyewear Brillenvertriebs Gmbh	Mondsee, Austria	Herzog-Odilo-Str. 101716, 5310 Mondsee (Landesgericht Wels FN 246984 m)
Viva Nederland B.V.	Rijswijk, Netherlands	Amperelaan 4C, Rijswijk
Viva Schweiz AG Postfach 51	Wallis, Switzerland	3951 Agarn, Wallis
Viva Eyewear Australia Pty Ltd	Rosebery NSW, Australia	110 Dalmeny Avenue, Rosebery NSW2018

Presentation currency

These financial statements are presented in the Parent Company’s presentation currency (Euro).

The currency of the primary economic environment in which the Company and the Group operate (the functional currency) is the Euro.

To provide a clear understanding of these consolidated financial statements, the amounts in the Statement of Financial Position, Statement of Comprehensive Income, Income Statement, Cash Flow Statement, Statement of Changes in Equity and explanatory Notes are presented in thousands of Euros. As a result of presenting the amounts in thousands of Euros, immaterial differences in the totals may emerge due to rounding.

Italian tax consolidation

Marcolin S.p.A., together with its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l., opted for the Italian tax consolidation regime regarding corporate income tax (IRES) for the three-year period from 2013 to 2015, which recognizes Marmolada S.p.A. as the parent company. The relevant effects are reported in the financial statement results as at December 31, 2013.

Marmolada S.p.A.'s participation in the tax consolidation is governed by specific Regulations that remain in effect for the entire period during which the option is exercised.

Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay Marmolada the additional tax due to the tax authorities;
- the consolidated companies with negative taxable income receive from Marmolada a payment corresponding to 100% of the tax savings realized accounted for on an accruals basis. The payment is made only at the time of actual use by Marmolada for itself and/or for other Group companies;
- if Marmolada and the subsidiaries do not renew the tax consolidation option, or if the requirements for 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

The financial statements were authorized for issue by the Board of Directors on March 25, 2014.

ACCOUNTING STANDARDS

Basis of preparation

The 2013 consolidated financial statements were prepared according to the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.

The IFRS include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC).

The accounting policies adopted to prepare the financial statements for the year ended December 31, 2013 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

Accounting standards, amendments and interpretations effective from January 1st, 2013

The following new IFRS standards or amendments and related SIC/IFRIC interpretations became effective on January 1st, 2013 and are applicable to the Group.

On June 16, 2011, IASB issued an amendment to IAS 1 – Presentation of Financial Statements, which requires entities to group items of other comprehensive income into those that will and will not subsequently be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after July 1st, 2012.

The Group adopted the amendment on January 1st, 2013. The adoption of the amendment had no impact on the valuation of the Financial Statements items. The comparative information presented has been restated accordingly.

On June 16, 2011, IASB issued an amendment to IAS 19 – Employee Benefits, with retrospective application from the period beginning on January 1st, 2013. The amendment changes the recognition rules for defined benefit plans and termination benefits. The main changes to defined benefit plans concern the full recognition of the plan deficit or surplus in the statement of financial position, inclusion of net interest and classification of net interest on defined benefit plans.

On December 16, 2011, IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures, which require reporting the effects or potential effects of rights to offset financial assets and financial liabilities on an entity's financial position. The Group adopted the amendments on January 1st, 2013. The adoption of the amendments had no impact on the valuation of the financial statements items presented in this Report.

On May 12, 2011, IASB issued IFRS 13 – Fair value measurement, which clarifies how fair value is determined for financial reporting purposes. It is applicable to all IFRS standards that require or allow fair value measurement or presentation of information based on fair value. The standard is to be applied prospectively from January 1st, 2013, and its adoption did not have any material effect on the measurement of the financial statement items presented in this Report.

On May 17, 2012, IASB issued a collection of amendments to IFRSs ("Annual Improvements to IFRSs: 2009-2011 Cycle"); the amendments applicable to the Group are listed below; those resulting merely in different terminology, with minimum effects on accounting, are omitted:

IAS 1 – Presentation of Financial Statements. The amendment to IAS 1 introduces the grouping of items presented in the Statement of Comprehensive Income.

Items that could be reclassified into the Income Statement (profit or loss) in the future must now be presented separately from items that will never be reclassified. The change regarded solely the form of presentation and did not have any effect on the financial position or results;

IAS 16 – Property, Plant and Equipment. The change to IAS 16 regards the classification of spare parts as "property, plant and equipment". If they are not qualified to meet that definition, they must be classified as "Inventories". The change had no impact on the 2013 financial statements;

IAS 32 Financial Instruments: Presentation. This amendment eliminates an inconsistency between IAS 12 – Income Taxes, and IAS 32 with regard to the recognition of income taxes on distributions to shareholders, ruling that these taxes should be recognized in profit or loss to the extent that the distribution involves income arising from transactions originally recognized in profit or loss. The adoption of the amendment had no impact on the valuation of the financial statements items presented in this Report.

The Group adopted these amendments retrospectively from January 1, 2013, and the amendments had no material effect on these consolidated financial statements.

Accounting standards, amendments and interpretations not applicable yet and not adopted early by the Group from January 1, 2013

On May 12, 2011, IASB issued IFRS 10 – Consolidated Financial Statements, which will supersede SIC 12 – Consolidation – Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements; the latter will be renamed "Separate Financial Statements" and will regulate the accounting treatment of equity interests in separate financial statements. The new standard is based on existing standards, and identifies the factor that determines control for the purpose of consolidation of a company in the parent company's financial statements. It also provides guidance for determining the existence of control when it is difficult to assess.

On May 12, 2011, IASB issued IFRS 11 – Joint Arrangements, which will supersede IAS 31 – Interests in Joint Ventures, and SIC-13 – Jointly controlled entities – Non-Monetary Contributions by Venturers. The new standard provides criteria for defining joint arrangements based on the rights and obligations of the parties to the arrangement rather than their legal form, and establishes the equity method as the only way to account for interests in joint operations in the consolidated financial statements. After IAS 28 – Investments in Associates was issued, it was amended to include joint ventures within its scope of application, from the date of effectiveness.

On May 12, 2011, IASB issued IFRS 12 – Disclosure of Interests in Other Entities, a new, complete standard requiring additional disclosures about all types of equity interests, including an entity's interests in subsidiaries, joint arrangements, associates, special-purpose entities and other unconsolidated structured entities. On December 16, 2011, IASB issued amendments to IAS 32 – Financial Instruments: Presentation, to clarify the application of certain netting criteria for financial assets and financial liabilities present in IAS 32. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2014. No material effects are expected from the adoption of these amendments.

IAS 28 (2011) Investments in Associates and Joint Ventures

After IFRS 11 – Joint Arrangements, and IFRS 12 – Disclosure of Interests in Other Entities was issued, IAS 28 was renamed "Investments in Associates and Joint Ventures"; it describes the application of the equity method for joint ventures and associates.

The changes are effective for annual periods beginning on or after January 1, 2014. The Group is evaluating the impact of the application of these new standards.

IAS 32 Offsetting of Financial Assets and Financial Liabilities – Amendments to IAS 32 The changes clarify the meaning of "legally enforceable right of set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

These amendments have no impact on financial position or performance and are effective for annual periods beginning on or after January 1, 2014. The Group is evaluating the impact of the application of these new standards.

On May 29, 2013, IASB issued an amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets, regarding the disclosure requirements for the recoverable amount of impaired assets, if the amount is based on fair value less costs of disposal. The changes are effective retrospectively for annual periods beginning on or after January 1, 2014. An entity may apply the amendments earlier to any period in which it also applies IFRS 13. No material impact on disclosure is expected from the adoption of this amendment.

On June 27, 2013, IASB issued minor amendments to IAS 39 – Financial Instruments: Recognition and Measurement, called "Novation of Derivatives and Continuation of Hedge Accounting". The amendments enable to continue hedge accounting if a financial derivative designated as a hedging instrument should change as a consequence of laws or regulations, to replace the original counterparty, to achieve clearing for that instrument and if certain conditions are met. The same amendment will be included in IFRS 9– Financial Instruments. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2014. No material impact is expected from the adoption of this amendment.

As at this reporting date, the responsible European Union authorities have not yet completed the approval process necessary for the adoption of the following accounting standards and amendments:

On November 12, 2009, IASB published IFRS 9 – Financial Instruments; the same standard was reissued in October 2010 and amended in November 2013. The standard concerns the classification, recognition and measurement of financial assets and financial liabilities, and hedge accounting, and its purpose is to replace IAS 39 – Financial Instruments: Recognition and Measurement, on these subjects. With the amendments of November 2013 and other revisions, IASB eliminated the mandatory first-time adoption date, originally set for

January 1, 2015. The date will be reintroduced with the issuance of a complete standard, upon completion of the IFRS 9 project.

Financial statement format

The consolidated financial statements consist of the Statement of Financial Position, Income Statement, Statement of Changes in Equity and the related Explanatory Notes.

In order to provide comparability, the previous period data was restated as necessary, providing explanations of the restatements. Some entries are described to provide a better understanding of certain accounts such as the Group's net financial position.

For this reason, the current financial assets and non-current financial assets are shown separately in the Consolidated Financial Statements.

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 realized 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 realized 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 in order 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 result for the year was adjusted to account for the effects of non-cash items and operating, investing and financing activities.

Segment reporting

Segment information was prepared on the basis of the geographical areas in which the Group operates, through its companies, by identifying the geographical areas as the primary segments of business.

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the companies consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method.[2].

[2] Companies over which the Group shares control with other entities either directly or indirectly (joint ventures), beginning with the date in which the joint control begins and until the joint control ceases, and associates over which the Group has significant influence either directly or indirectly, are consolidated with the equity method. Under the equity method, the Group's share of the profits and losses are recognized according to the accruals basis of accounting. The Group's share of the associates' results is accounted for in a specific income statement entry from the date in which significant influence begins until the date it ceases.

List of Subsidiaries and Associates

Company (Currency)	Currency	Share Capital	Equity	Net profit/ (loss)	Consolidation method	% Ownership Direct	% Ownership Indirect
Marcolin Asia Ltd	HKD	1,539,785	29,877,797	10,133,411	Full	—	100.00%
Marcolin Benelux Sprl	EUR	280,000	433,339	-85,604	Full	99.98%	—
Marcolin do Brasil Ltda	BRL	9,575,240	7,269,921	-2,574,316	Full	99.90%	—
Marcolin (Deutschland) GmbH	EUR	300,000	1,668,686	406,335	Full	100.00%	—
Marcolin GmbH	CHF	200,000	96,254	31,550	Full	100.00%	—
Marcolin Iberica SA	EUR	487,481	3,121,314	-201,366	Full	100.00%	—
Marcolin International BV	EUR	18,151	-1,228,272	-113,665	Full	100.00%	—
Marcolin Portugal Lda	EUR	420,000	-93,178	-3,085	Full	99.82%	—
Marcolin (UK) Ltd	GBP	850,000	2,865,417	676,221	Full	99.88%	—
Marcolin Usa Inc	USD	775,100	81,704,572	3,597,572	Full	89.90%	10.10%
Marcolin France Sas	EUR	1,054,452	1,751,197	-343,099	Full	76.89%	23.11%
Eyestyle Retail Srl	EUR	200,000	861,664	-338,336	Full	100.00%	—
Eyestyle.com Srl	EUR	150,000	559,878	-189,896	Full	100.00%	—
Eyestyle Trading (Shanghai) Co., Ltd	CNY	930,546	641,655	-288,891	Full	100.00%	—
Finitec Srl in liquidazione	EUR	54,080	834,095	-30,871	Equity	40.00%	—
Viva Optique Inc.d/b/a Viva International Group	USD	121,872,715	155,354,985	3,775,820	Full	100.00%	—
Viva Europa Inc.	USD	—	—	—	Full	100.00%	—
Viva IP, Inc	USD	10,000	8,758	—	Full	100.00%	—
Viva Brasil Comercio Produtos Opticos Ltda	REAL	798,560	-1,923,657	-2,343,229	Full	—	100.00%
Viva Canada Inc.	CAN$	347,640	1,700,471	-892,587	Full	100.00%	—
Viva France Sas	EUR	37,000	4,303,036	602,820	Full	—	100.00%
Viva Eyewear Hong Kong Ltd	HKD	100	58,198,488	-5,862,777	Full	—	100.00%
Viva Italia	EUR	93,600	71,560	99,933	Full	1.00%	99.00%
Viva International, Inc d/b/a Viva Japan	YEN	—	-34,109,361	—	Full	100.00%	—
Viva Eyewear UK Ltd	GBP	—	4,009,852	1,492,915	Full	—	100.00%
Viva Optique de Mexico SA de CV	PESO	3,694,685	23,296,894	3,328,889	Equity	50.00%	—
Viva Deuschland	EUR	25,000	258,984	593,986	Equity	—	50.00%
Viva Eyewear Brillenvertriebs Gmbh	EUR	35,000	64,512	69,511	Equity	—	50.00%
Viva Nederland B.V.	EUR	18,000	36,854	18,856	Equity	—	50.00%
Viva Schweiz AG Postfach 51	CHF	50,000	322,260	171,312	Equity	—	50.00%
Viva Eyewear Australia Pty Ltd	AUS$	1,000,000	3,276,126	62,973	Equity	—	50.00%

The following changes compared to December 31, 2012 are reported:

- the Viva Group has been included in the consolidation perimeter. A 100% stake in the parent company, Viva Optique, Inc. (Somerville), was acquired on December 3, 2013 by Marcolin USA, Inc. (as described subsequently herein);
- Eyestyle Shanghai Co. Ltd. has been included in the consolidation perimeter.

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 Union and, includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realized by the Associate after the acquisition is recognized in the income statement, whereas the interest in changes in reserves after the acquisition is recognized 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 recognize additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealized 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 the 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 ventures are consolidated 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, and financial costs and income. Significant profits and losses realized between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in inventories originating from intercompany transactions are eliminated;
- any non-controlling interests in equity or net profit/(loss) 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 realized by such companies;
- financial statements presented in a different functional currency from that of the Parent Company are translated into euros 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 recognized in the changes in equity.[3]

The following table lists the exchange rates used for translation:

Currency		Closing exchange rate			Average exchange rate		
		2013	2012	Change	2013	2012	Change
English pound	GBP	0.834	0.834	2.2%	0.849	0.811	4.7%
Swiss Franc	CHF	1.228	1.207	1.7%	1.231	1.205	2.1%
USA Dollar	USD	1.379	1.319	4.5%	1.328	1.285	3.4%
Brazilian Real	BRL	3.258	2.704	20.5%	2.869	2.508	14.4%
Hong Kong dollar	HKD	10.693	10.226	4.6%	10.302	9.966	3.4%

[3] *Translation of foreign-currency financial statements*

Financial statements presented in a different functional currency are translated into euros 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 recognized in the "foreign currency translation reserve" under "other reserves".

Business combinations

The Group's business combinations are accounted for with the acquisition method in accordance with 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.

Based on the acquisition 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 recognized 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 recognized.

If the initial accounting for a business combination can be determined only provisionally, adjustments to the values initially attributed are made within 12 months of the acquisition date. Non-controlling interests are recognized 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 to obtain 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 data on which control was obtained.

With respect to the Group's business combinations:

- the balances of the combination with the Marcolin Group, recognized provisionally by Cristallo S.p.A. as at December 31, 2012, were finalized in 2013;
- due to the time of acquisition (December 2013) and lack of relevant detailed information to fully determine the values, the acquisition of VIVA was treated as provisional, and thus will be finalized in the financial statements for the year ended December 31, 2014.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted to prepare the Consolidated Financial Statements are described hereunder:

Property, plant, and equipment ("PP&E" or "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 owned by the Parent Company 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.

PP&E 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 recognized 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 capitalized to the extent that they can be separately classified as an asset or part of an asset. The carrying value 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 PP&E are recorded as deferred revenues and released 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 capitalizing them.

Assets held under finance leases are recognized as PP&E against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

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
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
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 recognized 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 amortization (except for those assets with an indefinite useful life) and any impairment losses. Amortization 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 recognized in the income statement. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the net carrying value that the asset would have had if there had been no impairment loss and if the asset had been amortized, recognizing the reversal of the impairment loss as income.

Goodwill

Goodwill is recognized at cost less any impairment losses. Goodwill relating to 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 recognized.

Goodwill is not amortized, but it is reviewed for impairment annually, and whenever events or circumstances give rise to 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 recognized at cost. They have a finite useful life and are recognized at cost net of accumulated amortization. Amortization 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 amortization, 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 value that the asset would have had if there had been no impairment loss and if the asset had been amortized.

Trademarks are amortized on a straight-line basis over their estimated useful lives, ranging from 15 to 20 years.

Software

Software licenses acquired are capitalized on the basis of the costs incurred for their purchase and the costs necessary to make them serviceable. Amortization 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 recognized 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 recognized as an expense as incurred unless they meet the conditions for capitalization under IAS 38.

Impairment of tangible 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 analyzed 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 value, the carrying value is reduced to its recoverable value. This reduction is an impairment loss that is recognized 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 value is increased to that new value. The increased carrying value must not exceed the net carrying value the asset would have had without any impairment loss. An impairment loss with respect to goodwill may not be reversed.

Financial derivatives

Derivative financial instruments are used by the Group solely for hedging purposes, in order to reduce exposure to currency risks.

All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.

If the hedge is effective, the following accounting policies apply:

- *Fair value hedge* – If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss.
- *Cash flow hedge* – If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the cumulative gain or loss that has been recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has been recognized in equity is immediately recognized in the income statement;
- If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

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

The principle 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 in their best 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All the assets and liabilities for which fair value is measured or stated in the financial statements are categorized 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 categorized entirely in the same level of the fair value hierarchy of the lowest level input used for the 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 categorization (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 realizable value based on market prices. Estimated realizable 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 realizable value.

Financial assets – Receivables and borrowings

Trade receivables, current financial receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year, not accruing interest or accruing interest at below-market rates, are discounted using market rates and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.

Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Company will not be able to collect the receivable at its original value.

Cash and cash equivalents

Cash and cash equivalents 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 value will be recovered mainly through sale rather than through continuing use. Assets held for sale (or disposal groups) are recognized at their net carrying value 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 recognized 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.

Share-based payments (stock option plan)

In 2012 the Company stipulated a cash-settled share-based incentive plan ("Phantom Stock Option Plan") with the C.E.O. On December 17, 2012, pursuant to the change in control and the review of all agreements stipulated with the C.E.O. including for remuneration, the Board of Directors decided to introduce a new incentive plan for executive management and to suspend the effects of the Phantom Stock Option Plan. The decision regarding termination of the plan was assigned to the Shareholders.

On April 30, 2013 a resolution was passed at the General Meeting to revoke the phantom stock option plan assigned to the C.E.O. at the General Meeting of April 20, 2012.

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 recognized on an accruals basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.

The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs).

Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with IAS 19 Revised, effective from January 1st, 2013.

On January 1, 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 June 30, 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 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 June 30, 2007, are considered a defined contribution plan, so 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

Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their nominal value.

Financial liabilities

Borrowings are initially recognized at cost, corresponding to the fair value of the liability less their transaction costs. They are subsequently measured at amortized cost; any difference between the amount financed (net of transaction costs) and the nominal value is recognized 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 derecognized when they are settled or when all risks and costs associated with them have been transferred to third parties.

Revenues and income

Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.

The Group recognizes sales revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement. The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of the goods and supply of the services.

Revenues from services are recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.

Dividends are recognized 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 amortization 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

Costs are recognized 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 recognized 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 realized in the period are recognized in the income statement.

Foreign currency receivables and payables are adjusted at the exchange rate in force on reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or costs in the income statement.

Income tax expense

Income taxes are recorded in the income statement, except for those regarding items recognized directly in equity, for which the tax effect is also recognized 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 realized.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which they may be recovered. The carrying value 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 realized 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 the 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 also uses some derivative instruments to minimize the impact of such risks on its results.

In keeping with its strategy, the Group undertakes derivative transactions solely for hedging purposes.

If, however, such transactions do not meet all the conditions necessary to qualify for hedge accounting laid down in IAS 39, they are not accounted for as hedging transactions.

CURRENCY RISK

The Group operates on an international level, so it is exposed to foreign exchange risk (particularly as regards the U.S. dollar). Currency risk is managed centrally by the Parent Company, which uses internal facilities to check and monitor fluctuations in the balances of its various foreign currency items in order to evaluate whether to apply hedges through dealings on the derivatives market.

The Company has a specific policy in place for managing currency risk. This method makes it possible to keep the main currency positions substantially balanced.

According to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements.

Details of the hedging contracts in place on the reporting date are as follows.

Currency hedges *(euro/000)*

Type	Financial Institution	Notional	Currency	Maturity date	Mark to Market
Currency forward purchase	Veneto Banca	4,000	USD	July 31, 2014	(158)
Currency forward purchase	Veneto Banca	6,000	USD	December 31, 2014	(161)

The Group is exposed mainly with the U.S. dollar on purchases of finished and semi-finished products from suppliers in the Far East, net of the cash flows from sales conducted in U.S. dollar markets.

The derivative instruments in place on December 31, 2013 have a negative fair value of euro 319 thousand, accounted for in "current financial liabilities" in these financial statements.

To determine the fair value of the currency derivatives purchased, the Company used valuation techniques that are appropriate in the circumstances and for which sufficient information is available on the market. Level 2 inputs of the fair value hierarchy defined by IFRS 7 are used in the valuation techniques.

For the currency derivatives, the potential decrease in the fair value of the currency forwards held by the Group as at December 31, 2013, due to a hypothetical sudden adverse change of 5% in the Euro-to-Dollar exchange rate (depreciation of the Dollar), would be euro 378 million. Conversely, the potential increase in fair value arising on appreciation of the Dollar would be euro 378 million.

INTEREST RATE RISK

Interest rate risk breaks down into fair value risk and cash flow risk. The Group manages interest rate risk by using derivatives, usually interest rate swaps, which allow for reducing the variability of interest rates.

In 2012 the Group was exposed predominantly to cash flow risk originating from loans at variable interest rates. At the time of the change in control in 2012, the Group settled some outstanding loans and entered into new loans with variable interest rates, for which hedging instruments were stipulated in order to reduce the uncertainty of borrowing costs, as defined by contract.

In 2013, as a result of the refinancing transactions, the Group's debt structure changed significantly, particularly on account of the fixed-rate euro 200 million bond issue subscribed in November. Accordingly, the Group's interest rate risk as at December 31, 2013 has been reduced considerably.

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

Interest rate sensitivity analysis was performed, assuming a +25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2013. 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 trade 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 cash equivalents, 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. If interest rates should rise by +25 basis points, income would increase by euro 60 thousand due to higher interest income on bank accounts, whereas borrowing costs with banks and third parties as at December 31, 2013 would hardly increase since the exposure is dominated by fixed-interest bond notes. The effect on equity would be similar.

If interest rates should fall by 10 basis points, income would decrease by euro 24 thousand.

CREDIT RISK

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.

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 exposure ceilings.

Receivables are set forth below by the main areas in which the Group operates in order to evaluate country risk.

		(euro/000)
Receivables by geographical area	**12/31/2013**	**12/31/2012**
Italy	18,907	20,078
Rest of Europe	19,325	13,927
North America	26,041	10,484
Rest of the World	22,189	17,988
Total	**86,462**	**62,477**

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 2013 the Parent Company has had a revolving credit facility of nominal euro 25 million available for short-term cash flow requirements.

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 types of credit lines available and the base rate on the reference date are reported herein.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Principal repayments and non-discounted interest were specified by time brackets. 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.

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

(euro/000)

	Within 3 months	From 3 months to 1 year	From 1 year to 2 years	From 2 years to 5 years	over 5 years
Loans and bonds (excluding leases)	1,223	19,621	168	—	200,000
Interest expense on loans and bonds	—	8,547	25,925	51,756	17,236
Leases	283	848	1,130	1,311	—
Trade payables	55,144	9,567	—	—	—

USE OF ESTIMATES

The preparation of consolidated financial statements requires making estimates that could affect the carrying value 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, the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.

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 values of assets and liabilities are described hereunder.

Goodwill

Pursuant to IAS 36, the Group performs impairment tests 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).

Writedowns of non-current assets

When there is indication that the net carrying value could exceed the recoverable value, non-current assets are reviewed to determine whether they have suffered impairment losses, in accordance with the accounting

principles adopted. The recoverable amount is analyzed 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. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

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 financial years.

Estimates of future earnings used to recognize deferred tax assets are dependent on factors that may vary over time and significantly affect estimates of deferred tax assets.

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Comments and the most significant changes in the items compared to the consolidated Financial Statements for the year ended December 31, 2012 are described hereunder (the amounts are in thousands of euros, unless specified otherwise).

BUSINESS COMBINATIONS

Acquisition of Marcolin Group

In December 2012 Cristallo S.p.A., a company indirectly controlled by investment funds managed by PAI Partners, purchased from Marcolin's former shareholders 48,842,131 shares representing 78.601% of Marcolin S.p.A.'s share capital, for a price of 4.25 euros per share (with a total payment of euro 207,579,057), financed with a short-term credit facility (for euro 87,500,000) and equity for euro 160,740,000 (from the financial resources made available by the sole shareholder, Marmolada S.p.A., through the subscription and payment of two subsequent capital increases with additional paid-in capital).

As a result of the change of control, since Marcolin was listed on the electronic share market (Mercato Telematico Azionario – MTA) segment of the Italian stock exchange, Cristallo S.p.A. had to launch a mandatory full public tender offer ("Offer") under Legislative Decree 58/1998 ("T.U.F." Consolidated Finance Act) Articles 102 and 106, first paragraph, as subsequently integrated and amended, and under the Issuers' Regulations, for a maximum of 13,297,244 ordinary Marcolin shares representing 21.399% of Marcolin S.p.A.'s share capital (the offering prospectus was approved with Consob Resolution n. 18421 of December 21, 2012).

The acceptance period began on January 7, 2013 and ended on February 1, 2013. On the closing date of the Offer, 10,367,974 shares (corresponding to 77.971% of the public offer and 16.685% of the subscribed paid-in share capital of Marcolin) were tendered. Those shares, added to the Marcolin shares already owned by Cristallo S.p.A. and the treasury shares (681,000, corresponding to 1.096% of capital), resulted in Cristallo owning 59,891,105 shares, equal to 96.382% of the Issuer's share capital, on the Offer payment date of February 8, 2013.

Therefore, under Consolidated Finance Act Article 108, first paragraph, the legal conditions were present for the obligation to buy, and right to buy, the remaining 2,248,260 outstanding shares not tendered into the Offer, corresponding to 3.618% of the Issuer's share capital.

In accordance with the offering prospectus and the notice published on February 7, 2013, and in compliance with Article 41, paragraph 6 of CONSOB's Issuer Regulations, the Bidder applied the joint procedure to execute the obligation to buy and the right to buy, and thus to buy the remaining Marcolin shares, for a total joint procedure price of euro 9,555,147.50.

As a result of those events, Cristallo owned 100% of Marcolin's share capital. Therefore, with Borsa Italiana Provision n. 7645 of February 7, 2013, the delisting of the Issuer's shares from the electronic share market was arranged for February 14, 2013.

The purpose of the acquisition of the Marcolin Group by Cristallo S.p.A. and subsequent increase in ownership interest was to obtain full control of Marcolin S.p.A.

According to IFRS 3, "Business Combinations", the acquisition consisted of a business combination, and as such was accounted for with the acquisition method.

As permitted by IFRS 3 and given the significance of the acquisition, the initial accounting for the business combination was determined only provisionally in the financial statements for the year ended December 31, 2012, and goodwill was determined on the basis of provisional, partial identification of the fair value of the acquired assets, liabilities and contingent liabilities.

This Report includes disclosures relevant to the business combination recognition with the identification and valuation of the acquired assets and liabilities.

The business combination disclosures required by IFRS 3 are provided hereunder.

Combining entities

The combining entities are Cristallo S.p.A., the acquirer, and the Marcolin Group, the acquiree group.

The following table sets forth the acquired companies and the percentage of equity instruments with voting rights acquired directly by Cristallo S.p.A. in 2012:

				% Ownership	
Company	**Registred Offices**	**Currency**	**Share Capital**	**Direct**	**Indirect**
Marcolin S.p.A.	Longarone	EUR	32,312,475	100%	—
Eyestyle Retail Srl	Milano	EUR	150,000	—	100%
Eyestyle.com Srl	Longarone	EUR	150,000	—	100%
Finitec Srl in liquidazione	Longarone	EUR	54,080	—	40%
Marcolin Asia Ltd.	Hong Kong	HKD	1,539,785	—	100%
Marcolin Benelux Sprl	Faimes	EUR	280,000	—	100%
Marcolin (Deutschland) GmbH	Ludwigsburg	EUR	300,000	—	100%
Marcolin do brasil Ltda	Jundiai	BRL	9,575,240	—	100%
Marcolin Frances Sas	Parigi	EUR	1,054,452	—	100%
Marcolin GmbH	Fullinsdorf (CH)	CHF	200,000	—	100%
Marcolin Iberica SA	Barcelona	EUR	487,481	—	100%
Marcolin International BV	Amsterdam	EUR	18,151	—	100%
Marcolin Portugal Lda	Lisbon	EUR	420,000	—	100%
Marcolin (UK) Ltd	Newbury	GBP	850,000	—	100%
Marcolin USA Inc	New York	USD	536,500	—	100%

Cost of the business combination

The cost of the business combination was euro 261.198 million, represented by the sum of the acquiree equity instruments acquired.

It is detailed below (amounts in thousands of euros):

Corresponding amount paid by Cristallo SpA to Marcolin Shareholders (MarcolinFamily, Della Valle Family, Antonio Abete) on Dec. 5, 2012	207,579
Corresponding amount paid by Cristallo SpA for the mandatory OPA (public tender offer)	53,619
Purchase price	**261,198**

Transaction costs were recognized in the income statement of the year they were incurred (in accordance with the applicable accounting standard).

Fair value of acquired assets, liabilities and contingent liabilities

The definitive fair value of the net acquired assets is euro 71.476 million, detailed as follows (amounts in in thousands of euros):

(euro/000)

Assets and liabilities fair value chart	**Final Fair value**	**Provisional Fair Value**	**Carrying Value in marcolin Group Consolidated Statements**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20,322	20,322	20,322
Intangible assets	21,202	21,202	21,202
Goodwill	—	—	2,450
Investments	86	86	86
Deferred tax assets	22,244	22,244	14,307
Other non-current assets	85	85	85
Non-current financial assets	8,608	8,608	8,608
Total non-current assets	**72,547**	**72,547**	**67,060**
CURRENT ASSETS			
Inventories	47,469	46,868	54,237
Trade and other receivables	62,713	63,373	63,373
Other current assets	806	806	806
Cash and cash equivalents	13,367	13,367	13,367
Current financial assets	66	66	66
Total current assets	**124,421**	**124,480**	**131,849**
TOTAL ASSETS	**196,968**	**197,027**	**198,909**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	20,841	20,841	20,841
Non-current provisions	19,851	19,251	4,390
Deferred tax liabilities	312	312	312
Other non-current liabilities	43	43	43
Total non-current liabilities	**41,047**	**40,447**	**25,586**

(euro/000)

Assets and liabilities fair value chart	Final Fair value	Provisional Fair Value	Carrying Value in marcolin Group Consolidated Statements
CURRENT LIBILITIES			
Trade payables	55,768	55,768	55,768
Current financial liabilities	8,051	8,051	8,051
Current liabilities	9,495	9,495	5,367
Current tax liabilities	1,797	1,797	1,797
Other current liabilities	9,334	9,334	9,334
Total current liabilities	**84,445**	**84,445**	**80,317**
TOTAL LIABILITIES	**125,492**	**124,892**	**105,903**
TOTAL LIABILITIES AND EQUITY	**71,476**	**72,135**	**93,006**

The impact of the business combination on the 2012 cash flow was a decrease in cash and cash equivalents of euro 194.212 million, equal to the price paid on December 5, 2012, net of the cash and cash equivalents acquired from the Marcolin Group (euro 13.367 million). The impact of the business combination on the 2013 cash flow is represented by the euro 53.619 million price paid for the mandatory public tender offer.

Goodwill recognized pursuant to the business combination

Goodwill of euro 189.722 million emerged as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the acquired assets and liabilities, as shown in the table below:

Net fair value at acquisition date	**71,476**
Minority interest	—
Net fair value acquisition date	**71,476**
Purchase price	261,198
Goodwill	**189,722**

Goodwill represents the future economic benefits arising from the business combination, due primarily to the Marcolin Group's legacy of expertise and know-how developed over the years; they form a potential contribution to future earnings and generation of cash flows deriving from the ability to satisfy customer demands, quantifiable in terms of higher profitability and cash flows. Future economic benefits are assured by the Marcolin Group's collective business strategies and information regarding licensor relationships, products distributed and customer demands, implemented in the past in order to gain esteem and win over new customers and markets. This intangible legacy of practical knowledge summarizes the business know-how of the Group acquired.

Acquisition of Viva International Group

In December 2013 the Marcolin Group, through Marcolin USA, Inc., acquired the Viva International group, one of the most important eyewear businesses in the U.S. market. The acquisition date was December 3, 2013. After carrying out the preliminary and preparatory activities, the acquisition, which received antitrust approval from the U.S. Federal Trade Commission, was completed by Marcolin USA, Inc., which thus was the owner of the entire share capital of Viva Optique, Inc. (parent company of the acquired group) as at December 31, 2013.

According to IFRS 3, "Business Combinations", even this acquisition consisted of a business combination, and as such was accounted for with the acquisition method. As permitted by IFRS 3, given the significance of the acquisition and the proximity to the 2013 reporting date, the initial accounting for the business combination was determined only provisionally in the financial statements for the year ended December 2013, and goodwill was determined on the basis of provisional, partial identification of the fair values of the acquired assets, liabilities and contingent liabilities.

Within 12 months of the acquisition date, the business combination accounting will be finalized with the identification and valuation of the acquired assets and liabilities.

The business combination disclosures required by IFRS 3 are provided hereunder.

Combining entities

The combining entities are Marcolin USA, Inc., the acquirer, and the Viva International Group, the acquiree group of companies.

The following table sets forth the acquired companies and the percentage of equity instruments with voting rights acquired directly by Marcolin USA, Inc. in 2013:

				% Ownership	
Company	**Registred Offices**	**Currency**	**Share Capital**	**Direct**	**Indirect**
Viva Optique, Inc. d/b/a Viva International Group	U.S. (New Jersey)	USD	121,872,715	100%	
Viva IP, Corp	U.S. (New Jersey)	USD	10,000		100%
Viva International, Inc. – in liquidazione	U.S. (New Jersey)	USD			100%
Viva Europa, Inc.	U.S. (New Jersey)	USD	—		100%
Viva Canada Inc.	Canada	CAD	347,640		100%
Viva Optique de México S.A. de C.V.	Messico	MXN	3,694,685		50%
Miracle optics, Inc. – in liquidazione	U.S. (California)	USD			
Viva Eyewear UK Ltd.	UK	GBP	—		100%
Viva Italia S.r.l. – in liquidazione	Italia	EUR	93,600		100%
Viva Eyewear Hong Kong, Ltd.	Hong Kong	HKD	100		100%
Viva Brasil Comércio de Produtos Opticos Ltd	Brasile	BRL	798,560		100%
Viva France S.A.S.	Francia	EUR	37,000		100%
Viva Eyewear Australia Pty Ltd.	Australia	AUD	1,000,000		50%
Viva Schweiza AG	Svizzera	CHF	50,000		50%
Viva Netherlands B.V.	Paesi Bassi	EUR	18,000		50%
Viva Deutschland GmbH	Germania	EUR	25,000		50%
Viva Eyewear brillenvertriebs	Austria	EUR	35,000		50%

Cost of the business combination

The cost of the business combination was euro 117.297 million, represented by the sum of acquiree equity instruments acquired.

It is detailed below (amounts in thousands of euros):

	EUR	**USD**
Corresponding amount paid by Marcolin USA Inc. at closing on Dec.3, 2013	85,689	116,348
Other corresponding amounts paid by Marcolin USA Inc. at closing on Dec.3, 2013	1,841	2,500
Price paid though 3Cime SpA at closing on Dec.3, 2013	22,095	30,000
Deferred price to be paid to HVHC Inc. after Dec.31, 2013	7,672	10,417
Purchase price	**117,297**	**159,266**

Transaction costs were recognized in the income statement of the year they were incurred (in accordance with the applicable accounting standard).

Fair value of acquired assets, liabilities and contingent liabilities

As noted, given the significance of the acquisition and the proximity to the reporting date, it was not possible to determine the definitive net fair values of the assets and liabilities acquired in the Viva International group, so the allocation is based on the fair value determined provisionally as at the acquisition date.

The provisional fair value of the net acquired assets is euro 49.048 million, detailed as follows (in thousands of euros):

(curr/000)

	Provisional Fair Value EUR	Provisional Fair Value USD	Carrying Value in Viva Group Statements EUR	Carrying Value in Viva Group Statements USD
Assets				
Non-current assets				
Property, plant and equipment	3,724	5,056	3,724	5,056
Intangible assets	14,781	20,069	14,781	20,069
Goodwill	—	—	65,793	89,334
Investments	1,950	2,648	1,950	2,648
Deferred tax assets	3,005	4,080	3,005	4,080
Total non-current assets	**23,460**	**31,854**	**89,254**	**121,189**
Current assets				
Inventories	25,865	35,119	25,865	35,119
Trade receivables	23,114	31,384	23,114	31,384
Other current assets	1,483	2,014	1,483	2,014
Cash and cash equivalents	13,404	18,200	13,404	18,200
Total current assets	**63,866**	**86,717**	**63,866**	**86,717**
Total assets	**87,326**	**118,571**	**153,120**	**207,906**
Liabilities				
Non-current liabilities				
Non-current financial liabilities	2,069	2,809	2,069	2,809
Non-current provisions	184	250	184	250
Deferred tax liabilities	2,215	3,007	1,939	2,632
Other non-current liabilities	—	—	—	—
Total non-current liabilities	**4,468**	**6,066**	**4,191**	**5,691**
Current liabilities				
Trade payables	18,420	25,011	18,420	25,011
Current financial liabilities	675	916	675	916
Current liabilities	5,378	7,302	5,378	7,302
Current tax liabilities	2,443	3,317	2,443	3,317
Other current liabilities	6,895	9,362	6,895	9,362
Total current liabilities	**33,811**	**45,908**	**33,811**	**45,908**
Total liabilities	**38,278**	**51,974**	**38,002**	**51,599**
Acquired net assets	**49,048**	**66,597**	**115,118**	**156,307**

Since the acquisition was completed on December 3, 2013, the Marcolin Group's consolidated financial statements include the Viva International group's income statement data for the period from December 4, 2013 to December 31, 2013.

The impact of the business combination on the annual cash flow is a decrease in cash and cash equivalents of euro 74.126 million, equal to the price paid net of the cash and cash equivalents acquired from the Viva International group (euro 13.404 million on December 3, 2013), of the price paid through the indirect parent company, 3 Cime S.p.A., and of the deferred consideration.

Assuming an acquisition date corresponding to the beginning of the reporting period (i.e., January 1st, 2013), as required by IFRS 3, the revenues and Ebitda of the surviving entity would be euro 344,9 million and euro 26,8 million, respectively (excluding non-recurring income and costs).

Goodwill recognized pursuant to the business combination

Provisional goodwill of euro 68.249 million (as at December 3, 2013) emerged as the difference between the cost of the business combination and the acquirer's interest in the net fair value of the acquired assets and liabilities, as shown in the table below:

	(curr/000)	
	EUR	**USD**
Net fair value at acquisition date	**49,048**	**66,597**
Minority interest	—	—
Net fair value acquisition date	**49,048**	**66,597**
Purchase price	117,297	159,266
Goodwill	**68,249**	**92,668**

Goodwill represents the future economic benefits arising from the business combination, due primarily to the Viva Group's legacy of expertise and know-how developed over the years; they form a potential contribution to future earnings and generation of cash flows deriving from the ability to satisfy customer demands, quantifiable in terms of higher profitability and cash flows. Future economic benefits are assured by the Viva group's collective business strategies and information regarding licensor relationships, relationships with the distribution network in the American market, products distributed and customer demands, implemented in the past in order to gain esteem and win over new customers and markets. This intangible legacy of practical knowledge summarizes the business know-how of the group acquired.

As noted, the fair value of the net acquired assets was determined only provisionally, so the respective definitive values and value attributed to goodwill could differ, even considerably, from the values reported at this reporting date.

1. PROPERTY, PLANT, AND EQUIPMENT

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

(euro/000)

Property, plant and equipment	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other PP & E**	**Assets under construction**	**Total**
Net value at beginning of 2013	**11,943**	**4,856**	**1,164**	**2,175**	**184**	**20,322**
Increases	350	610	525	977	249	2,711
Decreases	(36)	—	(8)	(51)	—	(95)
Depreciation	(652)	(957)	(833)	(658)	—	(3,100)
Increases from Business Combination (Viva)	2,331	—	83	1,310	—	3,724
Translation difference	(81)	—	(2)	(1)	—	(84)
Fair Value revaluations						—
Impairment	—	—	—	—	—	—
Reclassification	53	178	44	67	(330)	12
Net value at end of 2013	**13,908**	**4,687**	**973**	**3,819**	**103**	**23,489**

The Group's 2013 capital expenditures totalled euro 2.711 million.

Euro 1.894 million refers to Marcolin S.p.A., including:

- increases for factory restructuring and upgrading for euro 267 thousand;
- industrial plant and machinery purchases of euro 693 thousand;
- equipment purchases of euro 457 thousand;
- purchases of hardware and office furniture, included in other PP&E, of euro 403 thousand;
- increases in assets under construction and advances of euro 73 thousand, referring largely to industrial plant.

The increases referring to subsidiaries totalled euro 816 thousand, and mainly regarded:

- investments of euro 359 thousand by Eyestyle Retail to furnish and restructure the Milan store;
- purchases by Marcolin USA of electronic machines (euro 235 thousand), trade equipment (euro 63 thousand) and buildings (euro 25 thousand);
- vehicle purchases of euro 51 thousand by Marcolin UK;
- electronic machine purchases of euro 41 thousand by Viva (in the period of control).

Depreciation is euro 3.100 million and consists of:

- euro 2.165 million recognized in the components of cost of sales;
- euro 338 thousand recognized in distribution and marketing expenses;
- euro 597 thousand recognized in general and administrative expenses.

"Increases due to business combinations (Viva)" includes the balances of the Viva group, due to the change in consolidation perimeter as a result of Marcolin USA's acquisition of VIVA (in December 2013), and refers primarily to buildings.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2013 are shown in the following table:

(euro/000)

Property, plant and equipment	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Underpreciated value	26,862	18,562	18,939	15,533	103	79,999
Accumulated depreciation	(12,954)	(13,875)	(17,966)	(11,714)	—	(56,510)
Net Value	**13,908**	**4,687**	**973**	**3,819**	**103**	**23,489**

2. INTANGIBLE ASSETS AND GOODWILL

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

(euro/000)

Intangible assets and goodwill	Software	Concession, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2013	**821**	**12,354**	**6,302**	**1,725**	**21,202**	**189,722**
Increases	756	15	1,050	36	1,857	
Decreases	—	—	—	—	—	—
Amortization	(574)	(1,365)	(372)	—	(2,311)	
Increases from Business Combination (Viva)	—	14,781	—	—	14,781	68,249
Translation difference	5	(478)	6	(1)	(468)	(1,054)
Reclassification and other movements	559	975	(226)	(1,714)	(406)	—
Net value at end of 2013	**1,567**	**26,282**	**6,760**	**46**	**34,655**	**256,917**

The annual increase of euro 1.857 million is nearly entirely attributable to "other intangible assets", referring mainly to:

- an amount incurred by Eyestyle Retail S.r.l. to take over the premises of the showcase store located in Milan in San Pietro all'Orto, 17 (key money);
- patent and intellectual property rights, referring to the Parent Company, for euro 642 thousand, regarding new software and business application implementation.

Amortization is euro 2.311 million and consists of:

- euro 78 thousand recognized in the components of cost of sales;
- euro 1.764 million recognized in distribution expenses;
- euro 469 thousand recognized in general and administrative expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2013 are shown in the following table:

(euro/000)

Intangible assets and goodwill	Software	Concession, licenses and trademarks	Other	Intangible assets under formation and advances	Total 13/31/2013	Goodwill
Undepreciated value	8,554	52,025	8,069	46	68,694	256,917
Accumulated depreciation	(6,987)	(25,743)	(1,309)	—	(34,039)	
Net value	**1,567**	**26,282**	**6,760**	**46**	**34,655**	**256,917**

"Increases due to business combinations (Viva)" includes the balances of the Viva group, due to the change in consolidation perimeter as a result of the 2013 acquisition, and refers primarily to:

- costs incurred to renew licenses (euro 14.781 million);
- provisional goodwill of euro 68.249 million (see foregoing section on business combinations).

The Parent Company has additional goodwill of euro 189.722 million originating from Cristallo's acquisition of the Marcolin Group (at the end of 2012), subsequently recognized in Marcolin S.p.A.'s Financial Statements as a result of the merger of Cristallo into Marcolin. on October 28, 2013. More information is provided in the Notes to the Separate Financial Statements. The goodwill was tested for impairment to assess the fairness of the carrying amount as at December 31, 2013.

The recoverable amount of goodwill was estimated using the Marcolin Group's value in use, and was taken as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows of the Marcolin Group's continuing operation (stand-alone, excluding cash flows from VIVA since the acquisition date is subsequent to the determination of the Marcolin Group's goodwill in Cristallo).

The following assumptions were made to determine value in use:

- the cash-generating unit was identified in the Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and its Italian and foreign subsidiaries, excluding Viva);
- the main data sources used were the Group's 2014 – 2019 business plan projections, the consolidated financial statements for the year ended December 31, 2012, the draft financial statements for the year ended December 31, 2013, and the 2014 Budget. The business plan used was the one prepared for the merger with debt, as defined in Italian Civil Code 2501-*bis*, supporting the sustainability of Marcolin's post-merger debt (business plan and resources expected to meet Marcolin's post-merger obligations), used by the expert responsible for the disclosures required under Italian Civil Code Articles 2501-*bis* and 2501-*sexies*;
- the terminal value was calculated by capitalizing the available cash flow expected perpetually from 2020 (euro 27.4 million per year), assuming that it will grow at a "g" rate, equal to the 2.0% real GDP growth rate

for the period predicted by analysts (source: IMF World Economic Outlook)[4]. The terminal value was adjusted to account for the Parent Company's transfer of the provision for severance indemnities;

- the cash flow discount rate (WAAC) is 7.93% (8.56% for Italy and 6.75% for the USA, weighted considering the source of the Group's main cash flows after taxes, consistently with the cash flows from which notional taxes were subtracted at a conservative tax rate estimated for the Group. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.55% for Italy and 3.24% for the USA); 2) the expected return on the risk capital invested in Marcolin (Ke = 9.20% for Italy and 7.20% for the USA). Weighted Kd/Ke was determined with sensitivity analysis to assess the impact of a different debt/equity ratio (in the first case 0.395, in line with 2012; in the second case estimated prudently as 0.127).

According to the analysis performed, goodwill has not suffered any impairment losses.

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;
- different periods for the continuing cash flows (30 and 25 years).

In the case of 30-year returns, a reasonable time horizon in standard practice, a half-percentage point increase in WAAC would result in a euro 19 million decrease in the enterprise value (given the same "g"), whereas a half-percentage point decrease in the "g" rate would result in a euro 8 million decrease in the enterprise value (given the same WAAC).

In the case of prudent 25-year returns, the impairment test and sensitivity analysis results produced recoverable amounts in line with the invested capital presented at December 31, 2013 for the Marcolin Group, without any impairment losses, even considering the safety margins determined by the sensitivity analyses.

It is reasonable to conclude that the carrying value of goodwill in the Parent Company's financial statements is consistent with its fair value.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for euro 1.800 million and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

Concessions, licenses and trademarks also include euro 10 million for an option that will enable the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost will be amortized over 7 years starting from 2016.

The one-off fee of euro 6.3 million paid to Tod's Group to renew the related licensing agreement from 2013 to 2018 was reclassified to other intangible assets.

This asset is amortized over 6 years starting from 2013. The amortization expense of 2013 is euro 1.050 million.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The investments in subsidiaries and associates, totaling euro 2.030 million, consist primarily of investments in non-controlled companies of the Viva group, including euro 1.059 million in Viva Australia (a 50%-owned distributor), euro 648 thousand in Viva Mexico (50%-owned) and euro 253 thousand in Viva Germany (50%-owned).

[4] World: 3.6% for 2014 and 3.9% for 2015; Euro Area: 1.2% for 2014 and 1.5% for 2015; USA: 2.2% for 2014 and 2.3% for 2015; Emerging Countries: 4.9% for 2014 and 5.4% for 2015.

Marcolin's investments in associates, euro 71 thousand (euro 85 thousand in 2012) refer to Finitec S.r.l. in liquidation.

The carrying value of this associate was euro 802 thousand at December 31, 2013 (euro 832 thousand in 2012), and Marcolin has a 40% interest therein.

Until May 2011, Finitec S.r.l. in liquidation supplied eyewear galvanic coating and dye treatments to the Parent Company. The liquidation procedure will conclude when buildings owned by the associate are sold. The buildings were recently appraised, and the resulting value was taken into account in the measurement of the associate.

4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as at December 31, 2013 are euro 21.339 million (euro 21.932 million in 2012), the balance of euro 24.326 million in deferred tax assets and euro 2.987 million in deferred tax liabilities.

The amount is primarily attributable to the Parent Company, for euro 11.331 million (euro 4.805 million in 2012), followed by Marcolin U.S.A. for euro 6.385 million (euro 6.523 million in 2012), Viva group subsidiaries for euro 1.328 million and Marcolin France for euro 1.431 million (euro 1.775 million in 2012).

The Parent Company's amount refers to:

- euro 10.526 million 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;
- euro 805 thousand in deferred tax assets recognized on tax losses generated in periods before 2013. Recognition of deferred tax assets was made possible by the prospect of realizing the assets due to the expectation of future taxable profits according to the business plans prepared by the Group.

There are additional potential deferred tax assets of euro 4.540 million (euro 5.235 million in 2012) arising on tax losses reported in previous years by some subsidiaries (mainly Marcolin France), which are not recognized out of prudence.

More information is provided in Note 28 on income tax.

5. OTHER NON-CURRENT ASSETS

This item, which presents a balance of euro 869 thousand at December 31, 2013 (euro 85 thousand in 2012[5]), refers primarily to commission prepayments on the Parent Company's euro 25 million Senior Revolving Credit Facility, which was undrawn at the reporting date.

6. NON-CURRENT FINANCIAL ASSETS

This item, euro 7.132 million at December 31, 2013, includes euro 5.184 million for a loan granted by the Parent Company to a third party, on which interest accrues at market rates and whose repayments are due from January 1st, 2013 in semiannual installments until 2022, and euro 1.946 million for a similar loan from Marcolin U.S.A. to a third party whose repayments commenced in 2013 and will end in 2015.

[5] In the bond note issuance prospectus, this item was euro 8.759 million at December 31, 2012, and was reclassified in part to provide a better understanding of the financial position balances.
It included: 1) euro 5.000 million for an interest-bearing loan granted to a third party, with repayments due from 2016 to 2022; 2) euro 3.535 million referring to the same transaction but for Marcolin USA, with repayments, already in progress, due from 2013 to 2015.

7. INVENTORIES

Inventories are detailed below:

		(euro/000)
Inventories	**12/31/2013**	**12/31/2012**
Finished goods	76,400	50,806
Raw Material	10,509	12,673
Work in progress	9,992	8,914
Gross inventory	**96,901**	**72,393**
Inventory provision	(23,994)	(24,925)
Net inventory	**72,907**	**47,468**

Net inventories increased by euro 25.439 million from the previous year.

The increase takes into account the Viva group balances (euro 25.865 million net of the inventory provision) referring to finished products, included in the consolidation perimeter pursuant to the 2013 acquisition.

Considering solely the Marcolin perimeter, net inventories increased by euro 425 thousand, remaining substantially consistent with the prior year.

In detail:

- the value of finished product inventories decreased by euro 3.899 million. The average number of days in inventory of the Parent Company's products improved by approximately 10% for the year thanks to more efficient production and sales planning and faster turnover of slow-moving collections;
- the value of raw material inventories decreased by euro 2.164 million;
- the value of work in progress increased by euro 1.077 million.

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition and possibility to sell such inventory.

8. TRADE RECEIVABLES

The composition of the trade receivables is as follows

		(euro/000)
Trade receivables	**12/31/2013**	**12/31/2012**
Gross trade receivables	53,768	58,320
Increases from Business Combination (Viva)	24,050	
Provision for bad debts	(4,288)	(4,731)
Increases from Business Combination (Viva)	(1,062)	
Total	**72,468**	**53,589**

The net effect of Viva's inclusion in the consolidation perimeter is euro 22.988 million.

Excluding this effect, total trade receivables decreased by euro 4.109 million from the prior year.

The gross trade receivables referring to the Marcolin Group (excluding Viva) decreased by euro 4.552 million, reflecting the emphasis on credit management and client selection even in difficult times for the market such as these.

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

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

		(euro/000)
Receivables not overdue by geographical area	**12/31/2013**	**12/31/2012**
Italy	8,560	11,762
Rest of Europe	12,428	10,696
North America	18,325	7,076
Rest of World	16,757	14,895
Total	**56,070**	**44,429**

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

			(euro/000)
Ageing analysis of trade receivables not protested	**Gross**	**Provision**	**Net value**
December 31, 2012			
Not past due	44,313	(183)	44,130
Past due by less than 3 months	5,606	(412)	5,194
Past due by 3 to 6 months	3,127	(457)	2,670
Past due by more than 6 months	2,474	(1,170)	1,304
Total	**55,520**	**(2,222)**	**53,298**
December 31, 2013			
Not past due	56,070	(146)	55,924
Past due by less than 3 months	13,186	(372)	12,814
Past due by 3 to 6 months	3,097	(721)	2,376
Past due by more than 6 months	2,888	(1,571)	1,316
Total	**75,241**	**(2,810)**	**72,430**

In some markets in which 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:

		(euro/000)
Trade receivables overdue but not impaired	**12/31/2013**	**12/31/2012**
Past due by less than 3 months	12,862	5,194
Past due by more than 3 months	3,693	3,975
Total	**16,555**	**9,169**

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

			(euro/000)
Ageing analysis of protested trade receivables	**Gross value**	**Provision**	**Net value**
December 31, 2012			
Past due by less than 12 months	319	(234)	85
Past due by more than 12 months	2,481	(2,275)	206
Total	**2,800**	**(2,509)**	**291**
December 31, 2013			
Past due by less than 12 months	210	(210)	—
Past due by more than 12 months	2,367	(2,329)	38
Total	**2,577**	**(2,539)**	**38**

The changes in the provision for doubtful debts are set forth below (the change in perimeter refers to the Viva group):

		(euro/000)
Provision for doubtful debts	**12/31/2013**	**12/31/2012**
Opening amount	4,731	5,045
Increases from Business Combination	1,062	—
Provisions	450	531
Use / reversal	(730)	(718)
Reclassification and others	(30)	(59)
Translation difference	(134)	(68)
Period end Total	**5,349**	**4,731**

The provision for doubtful debts increased by euro 618 thousand from the prior year. The provision is deemed adequate for presenting receivables at their estimated realizable value given their composition and age and the related guarantees.

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

9. OTHER CURRENT ASSETS[6]

The composition of other current assets is shown below:

		(euro/000)
Other current assets	**12/31/2013**	**12/31/2012**
Tax credits	6,765	7,377
Other receivables	5,746	1,511
Increases from Business Combination (Viva)	1,483	—
Total other current assets	**13,994**	**8,888**

This item, euro 13.994 million (euro 8.888 million in 2012), presents an increase of euro 5.107 million from the prior year.

The increase takes into account the Viva group balance of euro 1.483 million, referring to tax advances and prepayments of rent, insurance and other costs pertaining to future periods.

Excluding Viva, the receivables due from others increased by euro 4.237 million from 2012.

As noted, in 2013 Marcolin S.p.A. opted for the Italian tax consolidation regime for corporate income tax (IRES), which recognizes Marmolada S.p.A. as the parent company.

The increase in this item is mainly attributable to receivables of euro 3.998 million due from Marmolada S.p.A. for the income from tax consolidation accrued on the annual tax losses considered recoverable.

Tax credits decreased by euro 612 thousand mainly on account of the lower tax advances paid during the year.

10. 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.

[6] In the bond issuance prospectus, this item amounted to euro 1.130 million, and was reclassified provide a better understanding of the financial position balances. Tax credits of euro 7.377 million were reclassified, shown as trade receivables and other receivables for euro 380 thousand.

It decreased by euro 6.664 million primarily due to the net balance of Cristallo's cash outlay for the mandatory public tender offers (euro 29.669 million, after Marmolada's capital increases of euro 27.300 million), and the cash and cash equivalents brought in by the Viva group (euro 18.298 million).

The change in this item is described in the consolidated cash flow statement, which provides information on the 2013 movements in cash and cash equivalents.

11. CURRENT FINANCIAL ASSETS

This item, euro 1.759 million at December 31, 2013, includes the euro 1.692 million current portion of a loan granted by Marcolin U.S.A. to a third party on which interest accrues at market rates, and euro 66 thousand on a loan granted by the Parent Company to associate Finitec Srl.

12. EQUITY

The Parent Company's share capital is euro 32,312,475 and is composed of 61,458,375 ordinary shares without par value.

The Extraordinary General Meeting of October 31, 2013 canceled the 681,000 treasury shares owned by the Parent Company, transferring the nominal value directly to the sole Shareholder, Marmolada S.p.A., and eliminating the nominal value of the Company's shares in accordance with Italian Civil Code Article 2436, paragraphs 2 and 3.

The Consolidated Statement of Changes in Equity provides more detailed information on this item.

13. NON-CURRENT FINANCIAL LIABILITIES

This item, euro 195.891 million, was euro 101.719 million at the end of 2012; it has increased by euro 94.172 million.

Pursuant to several transactions that occurred in 2013, the size and structure of the medium/long-term indebtedness changed dramatically during 2013. Due to the 2013 reverse merger with Cristallo, the December 31, 2013 balance reflects Marcolin's assumption of Cristallo's indebtedness on October 28, 2013.[7]

In November Marcolin issued bond notes, subscribed for nominal euro 200 million,[8] used partly to restructure Marcolin's and Cristallo's pre-existing indebtedness and partly to help finance the indirect acquisition of Viva Optique, Inc. (which took place in December 2013).

The notes issued, maturing in 2019, were classified as medium/long-term liabilities, and the related payable was accounted for in accordance with IAS 39 (amortized cost) in order to defer the transaction costs pertaining to future periods and to recognize them with the effective interest rate method.

As noted, within the scope of the refinancing transaction, a super senior revolving credit facility was granted, for a maximum amount of euro 25 million, by Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., UniCredit S.p.A. and Goldman Sachs, to be used for ordinary cash flow demands.

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[7] On December 31, 2012, Cristallo's indebtedness was euro 80.9 million (net of costs deferred with the amortized cost method), plus liquidity of euro 31.8 million, used for the cash outlay for the public tender offers.
On October 28, 2013, the amounts totaled euro 87.1 million (net indebtedness).

[8] The notes, which have a six-year maturity, even with voluntary early redemption, were issued in a single tranche on November 14, 2013. The key features are summarized below:

Purchasers: the notes may be offered and placed (1) in the United States, solely with qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act; (2) in Europe and in Italy solely with qualified investors pursuant to Directive 2003/71/EC, as subsequently amended and integrated, Italian Legislative Decree 58/1998 and CONSOB Regulation 11971/1999 for Issuers, unless in circumstances which are exempt from public offer rules.

Listing: (1) on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and (2) with Borsa Italiana S.p.A. for trading on the extramot pro multilateral trading facility.

Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.

Maturity Date: November 15, 2019.

Form: notes issued in registered form represented by (1) a global certificate representing the notes issued pursuant to Regulation S of the 1933 U.S. Securities Act, and (2) a global certificate representing the notes issued pursuant to Rule 144A of the 1933 U.S. Securities Act.

Interest Rate: annual fixed rate of 8.5% (eight point five percent), payable semi-annually.

Interest Payment Dates: May 15 and November 15 of each year, from May 15, 2014 to the maturity date.

The credit facility was undrawn at the end of 2013.

With respect to this financing, costs totaling euro 635 thousand, pertaining to future periods, were deferred.

	Currency	Original amount	Residual amount	Maturity date	Interest rate	Notes
		(euro)	(euro)			
Ministry of productive activities (Technological innovation)	euro	793,171	246,392	26 June 2016	1012%	Subsidized loan obtained under the law 46/82, repayable in 10 annual installments from June 26, 2007
BOND	euro	200,000,000	200,000,000	14 november 2019	8.5%	Bond issued the 14th November 2013 - Half-yearly interests on 15th of May and 15th of November
Intesa San Paolo S.p.A. Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro			3 June 2019	Euribor 1/2/3 monthes spread 4%	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 - signed the 18th November 2013

For the sake of exhaustive disclosure, the net financial position is set forth below.

Net financial position / (indebtedness)	12/31/2013	12/31/2012
	(euro/000)	
Cash and cash equivalents	38,536	45,200
Financial receivables	8,890	10,586
Short-term borrowings	(17,625)	(6,405)
Current portion of long-term borrowings	(82)	(2,200)
Long-term borrowings	(195,891)	(101,719)
Total	**(166,172)**	**(54,538)**

In addition to the commitments described subsequently (see Note 20), covenants exist with respect to the senior notes and the revolving credit facility agreement, at a consolidated level for Marcolin S.p.A. and its subsidiaries. According to an analysis conducted at the time of preparation of this report, all the covenants were complied with as at December 31, 2013.

14. NON-CURRENT PROVISIONS

This item amounts to euro 18.287 million (euro 19.851 million in 2012), with an increase of euro 1.564 million.[9]

[9] It has been reclassified from the balances presented in the bond issuance prospectus, specifically for a euro 1.154 million portion of a provision for risks and charges deemed non-current.

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

(euro/000)

Long term provision	Provision for severance employee indemnities	Provision for agency terminations	Provision for other risks	Total
12/31/2012	**3,836**	**1,421**	**14,594**	**19,851**
Allowances	86	275	—	**361**
Use	(364)	(79)	(1,571)	**(2,014)**
Actuarial loss / (gain)	(167)	—	—	**(167)**
Translation difference	—	(32)	—	**(32)**
Increases from Business Combination (Viva)	—	184	—	**184**
Other changes	—	(58)	163	**104**
12/31/2013	**3,391**	**1,711**	**13,186**	**18,287**

The employee severance indemnity provision ("TFR")[10] recognized in the Parent Company's financial statements for euro 3.554 million, was measured with an actuarial calculation 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 reasonably possible at that date, in absolute terms;
- next year's service cost;
- the average vesting period of the defined benefit obligation;
- payments foreseen under the plan.

Sensitivity analysis	DBO al 12/31/2013
Inflation rate +0,25%	3,434
Inflation rate -0,25%	3,339
Actuarial rate +0,25%	3,317
Actuarial rate -0,25%	3,458
Turnover rate +1%	3,383

Next year service cost Resting period	
2014 Service Cost	0.00
Resting period	9

Years	Payments foreseen
1	299
2	277
3	250
4	223
5	232

The provision for agency termination presents the liability with respect to agents, especially referring to the Italian network, and is calculated in accordance with the applicable regulations.[12]

[10] The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 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.

[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: 2.5%; 6) TFR growth rate: 3%; 7) inflation rate: 2%.

[12] In 2012 this item had been classified as a short-term provision.

The provision for risks presents the estimated amount, in a medium/long-term time horizon, of the potential losses regarding some licenses, calculated on the basis of future earnings projections, given the expected turnover growth and related contractual obligations. This liability was estimated using the best available information, and was checked at December 31, 2013, when the 2012 valuations were confirmed.

15. OTHER NON-CURRENT LIABILITIES

At the end of the period the amount of other non-current liabilities was euro 3.954 million (2012: euro 43 thousand).

The increase is almost entirely attributable to the other non-current payables from the Viva group (euro 3.860 million).

16. TRADE PAYABLES

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

		(euro/000)
Trade payables by geographical area	**12/31/2013**	**12/31/2012**
Italy	17,939	32,653
Rest of Europe	8,554	4,048
North America	20,708	7,416
Rest of World	17,510	14,673
Total	**64,711**	**58,790**

The euro 5.921 million increase in trade payables is the net balance of the amount referring to Viva (euro 20.743 million) and the decrease regarding the payment of amounts due to Tod's at December 31, 2012 for the change to the Tod's and Hogan brand licensing agreements.

Excluding those non-recurring items (Viva and Tod's), the days payable outstanding (DPO) improved considerably, in the Parent Company's case from 90 to 105.

The recognized 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 on December 31, 2013 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

The current financial liabilities amount to euro 17.707 million, compared to euro 8.605 million of the previous year, with an annual increase of euro 9.102 million.

The item includes:

- euro 11.233 million in short-term borrowings from banks (euro 8.533 million in 2012);
- euro 1.067 million due to factoring companies for trade receivables factored;
- euro 5.407 million in other financial payables due within 12 months, including euro 4.753 million due to the HVHC, Inc. group for the Viva acquisition, part of which (euro 3.270 million) Marcolin USA, Inc. paid in January 2014, and part of which (euro 1.483 million) it will have to pay by the end of 2014.

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

(euro/000)

	Within 1 Year	From 1 to 3 Years	From 3 to 5 Years	Over 5 years	Total
12/31/2013					
Credit lines used	8,634	—	—	—	**8,634**
Loans	84	168	—	—	**252**
Other financiers	9,328	2,255	187	—	**11,770**
Bond	2,278	—	—	190,664	**192,942**
Total	**20,324**	**2,423**	**187**	**190,664**	**213,598**

The disclosures regarding the derivatives in place on December 31, 2013 are presented below. All the contracts in effect were stipulated by the Parent Company, Marcolin S.p.A.

Financial liabilities at fair value through profit and loss

During the year, the Parent Company stipulated derivative contracts on the U.S. dollar exchange rate with Veneto Banca Holding to mitigate the risk of exchange rate variability, some contracts of which were still in effect on the reporting date.

The fair value of such derivative instruments on December 31, 2013 was a negative euro 319 thousand.

Although the derivatives were designated exclusively to hedge the risk of exchange rate variability on purchases from suppliers 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.

On the reporting date, no derivatives to hedge against interest rate risk were in place.

18. CURRENT PROVISIONS[13]

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

(euro/000)

Current provisions	Provisions for sales return	Other provisions	Total
12/31/2012	**6,402**	**2,538**	**8,940**
Allowances	—	806	**806**
Use	(902)	(560)	**(1,462)**
Translation difference	(180)	(29)	**(209)**
Increases from Business Combination (Viva)	4,962	1,385	**6,347**
12/31/2013	**10,282**	**4,140**	**14,422**

The provisions for returns from customers reflects the estimate made, euro 10.282 million, based on the best available information, of potential losses on risks of product returns from customers and product warranties (euro 6.402 million in 2012, solely for the Marcolin Group).

Apart from the Parent Company, the provisions were reported mainly by Marcolin U.S.A. and Marcolin France.

The final amount is influenced to a great extent by provisions referring to the Viva group, presented as the change in consolidation perimeter (euro 4.962 million).

[13] In the bond note issuance prospectus, this item included the provision for agency termination and similar obligations, referring to the estimated indemnities due in the event of agency termination, reclassified in 2013 to medium/long-term provisions.

The other provisions, which totaled euro 4.140 million (including euro 1.385 million referring to Viva), are attributable primarily to Marcolin S.p.A. for potential risks originating mainly from: 1) legal obligations; 2) the current portion of potential losses regarding some licenses, calculated on the basis of earnings projections, given the expected turnover growth of the business and related contractual obligations.

19. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

		(euro/000)
Other current liabilities	**12/31/2013**	**12/31/2012**
Payables to personnel	5,674	6,285
Social security payables	2,212	2,165
Other accrued expenses and deferred income	629	54,732
Increases from Business Combination (Viva)	2,993	—
Total	**11,508**	**63,182**

The other current liabilities consist primarily of euro 5.674 million due to personnel (euro 6.285 million in 2012) and euro 2.212 million in social security payables (euro 2.165 million in 2012).

The change in consolidation perimeter refers to the Viva International balances, nearly all of which regard personnel expenses.

20. COMMITMENTS AND GUARANTEES

The Group has guarantees for third-parties of euro 46 thousand (in line with 2012).

Guarantees associated with the bond note issue

With a notarial deed dated October 31, 2013, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal euro 200,000,000 were established.

The notes are secured by collateral provided by the Issuer, the controlling shareholder Marmolada S.p.A. and some subsidiaries to discharge the payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- a pledge over the Issuer's intellectual property rights;
- a security assignment over insurance policy receivables due to the Issuer;
- a security assignment over trade receivables due to the Issuer;
- a security assignment over receivables due to the Issuer by Marcolin USA, Inc. originating from loans granted to provide the Company with the financing necessary to pay the purchase price/acquire the share capital of Viva Optique Inc.;
- a pledge over all the Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all the Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all the Marcolin (Deutschland) Gmbh shares owned by the Issuer;
- a pledge over all the Marcolin USA, Inc. shares owned by the Issuer;
- a pledge over all the shares of Viva Optique Inc., directly controlled by Marcolin USA, Inc., owned by Marcolin USA, Inc.;

- a pledge over 65% of the shares of Viva Europa Inc., indirectly controlled by the Issuer, through Viva Optique Inc.;
- a pledge over 65% of the shares of Viva Eyewear Ltd (UK), indirectly controlled by the Issuer, through Viva Europa Inc.;
- a security agreement over all material assets of Marcolin USA, Inc.;
- a security agreement over all material assets of Viva Optique, Inc.

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.

Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2013 these future commitments amounted to euro 328.847 million (euro 268.457 million in 2012), including euro 58.930 million falling due within the next year.

The euro 60.390 million increase is attributable mainly to the inclusion of Viva, and refers to Viva's obligations with its own licensors.

		(euro/000)
Guaranteed minimum royalties due	**12/31/2013**	**12/31/2012**
Within one year	58,930	47,391
In one to five years	216,222	157,184
After five years	53,695	63,882
Total	**328,847**	**268,457**

Rent and leases

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

		(euro/000)
Commitments	**12/31/2013**	**12/31/2012**
Rent due		
Within one year	2,059	1,053
In one to five years	3,649	2,560
After five years	444	26
Total	**6,152**	**3,639**
Operating lease payments		
Within one year	807	477
In one to five years	678	126
After five years	—	—
Total	**1,485**	**603**
Total	**7,637**	**4,242**

The rent commitments refer mainly to the office lease of the American companies (of Marcolin and, from 2013, also of Viva).

The Group also has guarantees for third parties of euro 161 thousand (euro (46 thousand in 2012).

MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statement results are presented in comparison with the 2012 results.

Because the Cristallo Group (now Marcolin Group as a result of the October 2013 reverse merger of Cristallo SpA into Marcolin SpA) acquired control of the Marcolin Group in December 2012, the comparative figures of these financial statements are not truly meaningful for the purpose of comparison with the 2013 income statement results.

Accordingly, the following tables do not present any comparison with the prior year if the items did not have movements.

Moreover, the 2013 amounts include the Viva group's results for the month of December (when control was acquired).

21. NET REVENUES

The following table sets forth the 2013 net revenues by geographical area:

(euro/000)

	2013	
Net Revenues by geographic area	**Turnover**	**% of total**
Europe	91,414	43.1%
U.S.A.	61,421	28.9%
Asia	23,130	10.9%
Rest of World	36,362	17.1%
Total	**212,327**	100.0%

The revenues referring to the Viva group for the month of December amount to euro 8.163 million.

22. COST OF SALES

Below is a detailed breakdown of the cost of sales:

(euro/000)

Cost of sales	**2013**
Purchase of materials and finished products	51,187
Changes in inventories	(1,049)
Cost of personnel	17,474
Outsourced processing	6,946
Amortization, depreciation and writedowns	2,170
Other costs	5,155
Total	**81,883**

The cost of sales referring to the Viva group (only for the month of December) is euro 3.429 million.

Personnel expenses include non-recurring costs of euro 513 thousand for business restructuring and reorganization activities.

The other expenses refer principally to purchasing costs (transport and customs) and business consulting services.

23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of the 2013 distribution and marketing expenses:

	(euro/000)
Distribution and marketing expenses	**2013**
Cost of personnel	30,152
Commissions	6,229
Amortization	2,219
Royalties	33,115
Advertising and PR	14,839
Other costs	15,134
Total	**101,688**

They amount to euro 101.688 million (including euro 4.856 million attributable to Viva), consistently with 2012.

Excluding Viva (euro 2.195 million), the personnel expenses include non-recurring costs of euro 686 thousand deriving from *ad-personam* agreements referring to changes in top management positions, and costs for restructuring and reorganizing the business functions.

With respect to advertising and public relations ("PR") expenses, the Group maintained its advertising budget in 2013 in order to promote the sales of its portfolio brands.

Concerning royalties, in a year of heavy investment, the 2013 results were affected by revenue streams for certain licenses that were not at full capacity (new licenses and/or collections), and thus by insufficient absorption of the minimum royalties required under certain licensing agreements.

Other costs include mainly business expenses, such as:

- transportation costs on sales;
- rent payments;
- marketing expenses incurred for the sales network;
- services regarding the sales area;
- travel expenses;
- entertainment expenses;
- telephone and insurance expenses.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses are set forth below:

		(euro/000)
General and administration expenses	**2013**	**2012**
Cost of personnel	8,387	0
Writedowns of receivables	450	0
Amortization and writedowns	1,077	
Other costs	10,793	4,338
Total	**20,707**	**4,338**

The 2013 general and administrative expenses amount to euro 20.707 million, including euro 1.078 million referring to Viva for the month of December.

Amortization, depreciation and writedowns include euro 243 thousand referring to Viva.

The personnel expenses include non-recurring costs of euro 1.013 million for restructuring and reorganizing the business functions.

The other costs (excluding euro 511 thousand referring to Viva) include the following:

- compensation of directors, statutory auditors, the independent auditing firm and other external professionals;
- other general and administrative services;
- IT expenses;
- other general and administrative consulting services;
- other general and administrative expenses (sundry purchases, telephone expenses, insurance, travel expenses, rent and rentals).

25. EMPLOYEES

The number of employees of the various Group companies is broken down below:

	Final number		Average number
Employees Category	**12/31/2013**	**12/31/2012**	**2013**
Senior managers	54	28	54
Junior managers	63	67	66
Staff	607	379	600
Manual workers	467	403	489
Total	**1,191**	**877**	**1,209**

With a constant perimeter, the following table presents the employees of the Marcolin (Viva excluded) perimeter for the purpose of comparability between the two years.

	Final number	
Employees - Without Viva Category	**12/31/2013**	**12/31/2012**
Senior managers	29	28
Junior managers	63	67
Staff	412	379
Manual workers	392	403
Total	**896**	**877**

26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

	(euro/000)
Other operating income and expenses	**2013**
Transport refund	1,331
Release of provision	285
Other income	1,738
Total other operating income	**3,354**
Losses on receivables	0
Other expenses	(1,432)
Total other operating expenses	**(1,432)**
Total	**1,922**

The balance of this item is a positive euro 1.922 million.

Other income consists mainly of euro 439 thousand charged to customers for advertising materials, other charges to customers of euro 592 thousand, and contingent gains (unrealized costs regarding previous periods, costs that were less than the amount originally estimated for them and insurance compensation).

Other operating expenses refer primarily to the one-off costs incurred by Marcolin U.S.A. for the Viva acquisition.

27. FINANCIAL INCOME AND COSTS

The financial income and costs are set forth below:

		(euro/000)
Financial income and costs	**2013**	**2012**
Financial income	2,886	53
Financial costs	(24,655)	(526)
Total	**(21,769)**	**(473)**

The composition of financial income is shown below:

		(euro/000)
Financial income	**2013**	**2012**
Interest income	—	—
Other income	467	53
Gains on currency exchange	2,419	—
Total other income	**2,886**	**53**

The composition of finance costs is shown below:

		(euro/000)
Financial costs	**2013**	**2012**
Interest expense	(20,348)	(526)
Financial discounts	(909)	—
Losses on currency exchange	(3,398)	—
Total	**(24,655)**	**(526)**

Financial income and costs presents a negative balance of euro 21.769 million, and was particularly influenced by non-recurring transactions of the year.

These refer specifically to:

- annual net finance costs of euro 5.224 million, of which euro 4.673 million refers to Marcolin (on loans existing before the bond issue, and interest expense on the notes from November), and euro 551 thousand refers to other subsidiaries;
- finance costs of euro 5.803 million accrued on the Cristallo loan;
- reversal of costs, accounted for using the amortized cost criteria over the life of the loans, as a result of refinancing existing indebtedness and extinguishing pre-existing loans, with a negative impact of euro 7.565 million (euro 1.481 million for Marcolin loans and euro 6.085 million for Cristallo loans);
- costs of euro 948 thousand associated with the early termination of interest-rate hedging contracts on extinguished loans;

- the bond issue resulted in total costs of euro 10.127 million which, according to the applicable Accounting principles (amortized cost), are accounted for over the remaining life of the notes (which mature in November 2019): the impact of this item on Marcolin's 2013 income statement was euro 147 thousand;
- currency exchange differences and financial discounts totaling euro 1.800 million, plus additional charges (bank fees and commissions) of euro 282 thousand.

28. INCOME TAX EXPENSE

The 2013 amount is euro 201 thousand, including current taxes of euro -3.616 million, net deferred tax of euro -582 thousand and income from tax consolidation of euro 3.998 million.

Income tax expense	*(euro/000)* 12.31.2013
Current taxes	(3,616)
Deferred taxes	(582)
Income from Tax Consolidation	3,999
Taxes relating to prior year	(2)
Total other income	**(201)**

The Parent Company's current taxes of 2013 are -869 thousand (consisting mainly of IRAP - regional business tax), and those of foreign Subsidiaries are euro -2.747 million (including Marcolin U.S.A., Inc.'s current taxes of euro -2.303 million).

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.

Marcolin S.p.A. and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l. opted for the Italian tax consolidation regime for 2013 to 2015, which recognizes Marmolada S.p.A. as the parent company. The relevant effects are included in the net results as at December 31, 2013. The net result benefited from the recognition of income from tax consolidation on tax loss carryforwards of euro 3.998 million (relating to the allocation of deferred tax assets on the losses reported by Marcolin S.p.A., Eyestyle Retail and Eyestyle.com, recognized as income from tax consolidation), which is based on the expectation of future taxable profits according to the business plan prepared by the Group.

Deferred tax amounts and the changes therein are presented in the following tables:

(euro/000)

Deferred tax assets	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013
Accumulated depreciation Inventory	20,063	5,980	20,663	6,094
Accumulated losses	15,128	5,381	17,153	6,118
Provision for risks	14,241	4,472	15,681	4,924
Deductible contributions when paid	10,458	4,046	3,910	1,543
Provision for returns	5,118	1,723	5,233	1,801
Provision for doubtful debts	3,894	1,330	3,778	1,292
Income from tax consolidation	2,098	577	1,401	385
Losses on currency exchange	1,442	396	108	28
Provision for severance indemnities	1,254	394	1,330	418
Other	102	27	1,196	(359)
Total deferred tax assets	**73,798**	**24,326**	**70,453**	**22,244**

(euro/000)

Deferred tax liabilities	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013	Temporary differences 12/31/2013	Tax on temporary differences 12/31/2013
Buildings	(5,114)	(1,739)	(3,365)	(1,056)
Equity valuation of investments in subsidiaries	(4,084)	(1,621)	—	—
Amortization temporarly non dedectable	(1,995)	(773)	—	—
Actualization of receivables/payable	(804)	(277)	—	—
Acturial gains/losses on TFR IAS	(168)	(46)	204	56
Gain on currency exchanges	(265)	(35)	(399)	(105)
Revaluation of shares	—	—	(170)	(47)
Deductible costs when paid	2,337	804	—	—
Intercompany profit	(2,521)	882	(2,400)	840
Other	(475)	(182)	—	—
Total deferred tax liabilities	**(13,089)**	**(2,987)**	**(6,129)**	**(312)**
Total deferred tax assets/liabilities	**60,709**	**21,339**	**64,324**	**21,932**

29. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by uniform category in the table below, which presents their fair value in accordance with IFRS 7.

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.

The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

The derivatives used by the Group are classified as O.T.C. (over-the-counter) instruments, so they do not have a public price available on official exchange markets. Discounted cash flow models were used to measure these derivatives.

(euro/000)

Categories of financial assets	Trade receivables	Financial assets	Cash and bank balances
Loans and other financial receivables	72,468	8,891	38,536
Financial assets at fair value through P/L	—	—	—
Held to maturity investments	—	—	—
Total	**72,468**	**8,891**	**38,536**

(euro/000)

Categories of financial liabilities	Trade payables	Financial liabilities	Derivative used for hedging	Loans	Bond
Financial liabilities at fair value through P/L	—	—	319	—	—
Derivatives used for hedging	—	—	—	—	—
Other financial liabilities at amortized cost	64,711	17,338	—	252	192,942
Liabilities as under IAS 17	—	2,747	—	—	—
Total	**64,711**	**20,085**	**319**	**252**	**192,942**

The derivatives presented in the table are classified as financial liabilities.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

The information with respect to atypical and unusual transactions and transactions with related parties is provided below.

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 2013 are described in the Introduction and Business Combination sections of these financial statements.

Atypical and unusual transactions

In 2013 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. and the Group.

Transactions with related parties

In addition to the transactions between the consolidated companies, during the year transactions took place with the equity-accounted associates and other related parties.

Intercompany and related-party transactions are mainly of a trade nature and are conducted on an arm's length basis; the related-party transactions regarded the aforementioned licensing agreements for Tod's brands.

The transactions and outstanding balances with respect to related parties as at December 31, 2013 are shown below, as required by IAS 24:

(euro/000)

Company	Expenses	Revenues	Payables	Receivables	Type
Associates					
Finitec Srl	—	—	—	67	Associate
Total associates	**—**	**—**	**—**	**67**	**—**
Other related parties					
Tod's S.p.A.	2,523	1,563	974	479	Related Party
Pai Patners Sas	—	11	—	—	Related Party
Coffen Marcolin Maurizio	386	28	31	—	Related Party
Coffen Marcolin Cirillo	103	—	5	—	Related Party
O.T.B. Group	2,402	701	62	97	Related Party
Marmolada Spa				3,999	Related Party
Total	**5,414**	**2,303**	**1,072**	**4,575**	
Total	**5,414**	**2,303**	**1,072**	**4,643**	

All related party transactions are carried out at arm's length.

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

(euro/000)

	2013			2012		
	Board of Directors	Statutory Auditors	Other	Board of Directors	Statutory Auditors	Other
Base fee	368	90	—	673	109	—
Salaries and benefits	642	0	—	580	—	—
	1,010	**90**	**—**	**1,253**	**109**	**—**

Other information pursuant to Italian Civil Code Article 2427, point 6 bis

The following table presents the 2013 fees of the auditing firm, PricewaterhouseCoopers S.p.A., for audit and other services performed by that firm, as required under Italian Civil Code Article 2427, point 6 bis.

Auditors fees	*(euro/000)* Amount
Audit fee	116
Other consulting fees	1,006
Total	**1,122**

SEGMENT REPORTING

The following information is set forth according to the geographical areas in which the Group operates.

Segment reporting is based on aggregation by geographical area according to the location of the Group's companies.

Accordingly, the net revenues by geographical segment refer to the source of the sales rather than to the end market.

(euro/000)

Segment reporting	ITALY		FRANCE		REST OF EUROPE	
	2013	2012	2013	2012	2013	2012
Net revenues	123,464	127,956	19,809	21,055	26,353	29,979
Intersegment revenues	133	—	0	—	0	—
Net revenues third parties	123,330	127,956	19,809	21,055	26,353	29,979
Gross profit	56,426	58,558	10,298	11,226	13,823	15,888
in % of net revenues	45.7%	45.8%	52.0%	52.3%	52.5%	53.0%
Operating profit	3,121	6,233	112	140	1,333	1,748
Interest in P/L of equity-accounted associates	(12)	(11)				
Assets	504,675	196,966	10,305	10,436	19,800	18,970
Investments in Associates	86	258		—	—	—
Liabilities	(289,395)	(104,974)	(7,121)	(6,910)	(12,383)	(12,334)
Capital expenditure	3,936	8,263	1	1	66	71
Amortization and depreciation	(4,613)	(3,388)	(58)	(58)	(140)	(359)
Other non cash items	4,190	371	30	30	(64)	243

(euro/000)

Segment reporting	NORTH AMERICA		OTHER & CONSOLIDATION		MARCOLIN GROUP	
	2013	2012	2013	2012	2013	2012
Net revenues	77,688	66,320	(34,986)	(31,347)	212,327	213,963
Intersegment revenues	—	—	(133)		—	—
Net revenues third parties	77,688	66,320	(34,853)	(31,347)	212,327	213,963
Gross profit	43,892	39,657	6,006	6,321	130,444	131,650
in % of net revenues	56.5%	59.8%	-17.2%	-20.2%	61.4%	61.5%
Operating profit	4,524	6,459	868	(3,596)	9,959	10,984
Interest in P/L of equity-accounted associates	—	—	12	11	0	—
Assets	333,325	49,736	(319,022)	77,199	549,082	198,909
Investments in Associates	0	—	15	(173)	71	86
Liabilities	(161,388)	(13,283)	136,130	31,599	(334,106)	(105,903)
Capital expenditure	384	925	192	(985)	4,578	8,274
Amortization and depreciation	(900)	(603)	(221)	(184)	(5,916)	(4,591)
Other non cash items	223	(188)	20	(301)	4,389	155

No secondary segments were identified.

REGISTERED OFFICE OF THE ISSUER

Marcolin S.p.A.
Zona Industriale Villanova, 4
32013 Longarone (BL)
Italy

LEGAL ADVISORS TO THE ISSUER

As to U.S. federal, New York state and Italian law

Latham & Watkins (London) LLP
Corso Matteotti 22
20121 Milan
Italy

As to English law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to Italian taxation law

TLS—Associazione Professionale di Avvocati e Commercialisti
Via Monte Rosa, 91
20149 Milan
Italy

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. federal, New York state law and English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Italian law

Studio Legale Associato in association with Linklaters
Via Broletto, 9
20121 Milan
Italy

INDEPENDENT AUDITORS TO THE ISSUER

PricewaterhouseCoopers S.p.A.
Via Monte Rosa, 91
20149 Milan
Italy

TRUSTEE AND RAPPRESENTANTE COMUNE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

SECURITY AGENT

UniCredit Bank AG, Milan Branch
Piazza Gae Aulenti, 4
Palazzina C-6 Floor
20154 Milan
Italy

PAYING AGENT AND CALCULATION AGENT

Elavon Financial Services DAC, UK Branch
Fifth Floor
125 Old Broad Street
London EC2N 1AR
United Kingdom

REGISTRAR AND TRANSFER AGENT

Elavon Financial Services DAC
Block E
Cherrywood Business Park
Loughlinstown
Dublin
Ireland

LEGAL ADVISOR TO THE TRUSTEE

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

LUXEMBOURG LISTING AGENT

Lucid Issuer Services Limited
Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

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