MARCOLIN
EYEWEAR

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

MARCOLIN S.p.A.
Headquarters, Executive Management and Business Offices in
Z.I. Villanova, 4 32013 Longarone (Belluno)
Share Capital Euro 35,902,749.82 Fully Paid In
R.E.A. n. 64334
Tax and Companies Register n. BL 01774690273
VAT n. 00298010257

Tel +39.0437.777111
Fax +39.0437.777282
www.marcolin.com

MARCOLIN
EYEWEAR

CONTENTS

GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors [1]

Vittorio Levi	Chairman
Fabrizio Curci [1]	C.E.O. and General Manager
Giovanni Zoppas	Director
Antonio Abete	Director
Simone Cavalieri [4]	Director
Alberto Fabbri [4]	Director
Jacopo Forloni	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Franck Raymond Temam	Director
Raffaele Roberto Vitale	Director

Board of Statutory Auditors [1]

David Reali	Chairman
Mario Cognigni	Standing Auditor
Diego Rivetti	Standing Auditor
Alessandro Maruffi	Alternate Auditor
Rossella Porfido	Alternate Auditor

Internal Audit Committee [2]

Vittorio Levi	Chairman
Jacopo Forloni	Supervisor
Cirillo Coffen Marcolin	Supervisor

Supervisory Body [2]

Federico Ormesani	Chairman
David Reali	Supervisor
Cirillo Coffen Marcolin	Supervisor

Independent Auditors [3]

PricewaterhouseCoopers S.p.A.

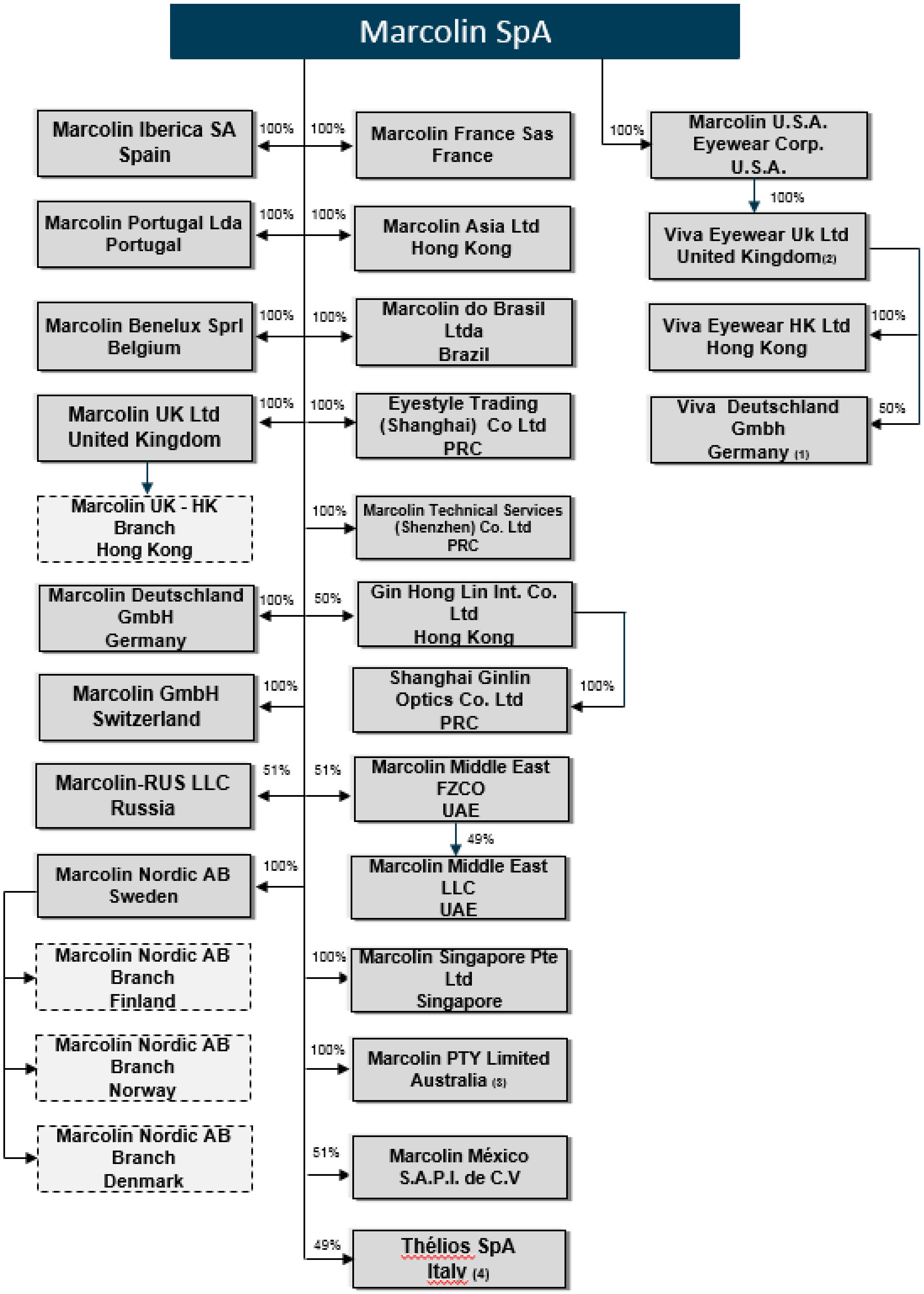
1) Term of office ends on the date of the General Meeting called to approve the annual financial statements for the year ended December 31, 2021 (pursuant to Shareholders' Resolution of March 28, 2019). On April 17, 2020 Shareholders acknowledged the resignation of Mr. Massimo Renon, former C.E.O. and General Manager. On June 22, 2020 the Board of Director's appointed Fabrizio Curci as Director of the company with the role of CEO and General Manager.

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

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

4) Simone Cavalieri and Alberto Fabbri appointed Directors pursuant to Shareholder's Resolution on March 23, 2020.

MARCOLIN GROUP STRUCTURE



1) Company undergoing liquidation;
2) Company put into liquidation in January 2020.
3) Company established on November 14, 2019, wholly owned by Marcolin SpA. The company has started its business during the first quarter of 2020
4) As of today, Thélios SpA fully controls Thélios France SAS, Thélios USA Inc, Thélios APAC Ltd and the recently established entities in Switzerland, Germany, Portugal and UK.

INTERIM CONDENSED
CONSOLIDATED FINANACIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	**Notes**	**06/30/2020**	**12/31/2019**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	46,790	48,547
Intangible assets	1	48,469	50,873
Goodwill	1	288,537	288,449
Investments in subsidiaries and associates	1	-	451
Deferred tax assets	1	48,532	43,163
Other non-current assets	1	308	315
Non-current financial assets	1; 6	1,061	1,813
Total non-current assets		**433,696**	**433,610**
CURRENT ASSETS			
Inventories	2	136,002	122,777
Trade receivables	2	72,690	90,674
Other current assets	2	32,518	27,396
Current financial assets	2; 6	16,632	16,336
Cash and cash equivalents	2; 6	106,040	45,872
Total current assets		**363,882**	**303,055**
TOTAL ASSETS		**797,578**	**736,665**
EQUITY			
Share capital	3	35,902	35,902
Additional paid-in capital	3	170,304	170,304
Legal reserve	3	6,437	5,483
Other reserves	3	50,639	53,511
Retained earnings (losses)	3	(75,322)	(58,135)
Profit (loss) for the period	3	(25,963)	(16,233)
Group equity		**161,997**	**190,832**
Non controlling interests	3	3,440	5,910
TOTAL EQUITY		**165,437**	**196,742**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	343,007	269,622
Non-current funds	4	7,003	6,877
Deferred tax liabilities	4	7,626	6,808
Other non-current liabilities	4	53	1,764
Total non-current liabilities		**357,689**	**285,071**
CURRENT LIABILITIES			
Trade payables	5	145,572	143,869
Current financial liabilities	5; 6	72,929	60,735
Current funds	5	23,080	16,278
Tax liabilities	5	6,645	5,331
Other current liabilities	5	26,225	28,640
Total current liabilities		**274,451**	**254,853**
TOTAL LIABILITIES		**632,141**	**539,924**
TOTAL LIABILITIES AND EQUITY		**797,578**	**736,665**

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	**Notes**	**06/30/2020**	**%**	**06/30/2019**	**%**
NET REVENUES	7	**142,127**	**100.0%**	**257,634**	**100.0%**
Cost of sales	8	(63,220)	(44.5)%	(107,936)	(41.9)%
GROSS PROFIT		**78,907**	**55.5%**	**149,698**	**58.1%**
Distribution and marketing expenses	9	(70,108)	(49.3)%	(120,869)	(46.9)%
General and administrative expenses	10	(21,285)	(15.0)%	(23,723)	(9.2)%
Other operating income/(expenses)	11	1,717	1.2%	8,283	3.2%
OPERATING INCOME - EBIT		**(10,769)**	**(7.6)%**	**13,390**	**5.2%**
Profit/(loss) from associates	12	(9,111)	(6.4)%	(6,450)	(2.5)%
Financial income	13	3,020	2.1%	3,435	1.3%
Financial costs	13	(14,150)	(10.0)%	(12,389)	(4.8)%
PROFIT (LOSS) BEFORE TAXES		**(31,010)**	**(21.8)%**	**(2,015)**	**(0.8)%**
Income tax expense	14	3,814	2.7%	(1,813)	(0.7)%
NET PROFIT (LOSS) FOR THE PERIOD		**(27,196)**	**(19.1)%**	**(3,828)**	**(1.5)%**
Profit (loss) attributable to:					
- Owners of the parent		(25,963)	(18.3)%	(4,336)	(1.7)%
- Non-controlling interests		(1,233)	(0.9)%	508	0.2%

(euro/000)	**06/30/2020**	**06/30/2019**
NET PROFIT (LOSS) FOR THE PERIOD	**(27,196)**	**(3,828)**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**-**	**-**
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(1,933)	4,187
Change in exchange rate difference on quasi equity loan	(1,117)	675
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(3,050)**	**4,862**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**(30,246)**	**1,034**
Profit (loss) attributable to:		
- owners of the parent	(28,835)	361
- non-controlling interests	(1,411)	673

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Other reserves								
(euro/000)	**Share capital**	**Additional paid-in capital**	**Legal Reserve**	**S.holders deposit in s/capital**	**Translation reserve**	**Other**	**Actuarial gain / (loss) reserve**	**Retained earnings/ (losses)**	**Profit (loss) for the period**	**Capital and reserves net total**	**Non-controlling interests in equity**	**Total equity**
December 31, 2018	**35,902**	**170,304**	**4,263**	**46,108**	**5,303**	**(6,313)**	**32**	**(51,041)**	**(2,246)**	**202,313**	**4,864**	**207,176**
Allocation of 2018 loss	-	-	1,220	-	-	-	-	(3,466)	2,246	(0)	-	(0)
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(607)	(607)
- Period result	-	-	-	-	-	-	-	-	(16,233)	(16,233)	1,407	(14,826)
- Other components of comprehensive income	-	-	-	-	4,607	3,837	(63)	(3,628)	-	4,753	247	4,999
Total comprehensive income	-	-	-	-	4,607	3,837	(63)	(3,628)	(16,233)	(11,480)	1,653	(9,827)
December 31, 2019	**35,902**	**170,304**	**5,483**	**46,108**	**9,910**	**(2,476)**	**(31)**	**(58,135)**	**(16,233)**	**190,832**	**5,910**	**196,742**
Allocation of 2019 result	-	-	954	-	-	-	-	(17,187)	16,233	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(1,059)	(1,059)
- Period result	-	-	-	-	-	-	-	-	(25,963)	(25,963)	(1,233)	(27,196)
- Other components of comprehensive income	-	-	-	-	(1,755)	(1,117)	-	-	-	(2,872)	(178)	(3,050)
Total comprehensive income	-	-	-	-	(1,755)	(1,117)	-	-	(25,963)	(28,835)	(1,411)	(30,246)
June 30, 2020	**35,902**	**170,304**	**6,437**	**46,108**	**8,155**	**(3,593)**	**(31)**	**(75,322)**	**(25,963)**	**161,997**	**3,440**	**165,437**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	**06/30/2020**	**06/30/2019**
OPERATING ACTIVITIES		
Profit (loss) for the period	(27,196)	(3,828)
Depreciation and amortization	13,358	11,815
Provisions	6,228	1,767
Income tax expense	(3,814)	1,813
Accrued interest expense	11,130	8,954
Adjustments to other non-cash items	9,085	6,251
Cash generated by operations	*8,792*	*26,772*
Cash generated by change in operating working capital	*(4,922)*	*(24,776)*
Other elements in working capital	*(5,499)*	*3,088*
Income taxes paid	(1,400)	(295)
Interest received	433	497
Interest paid	(6,435)	(7,218)
Total cash generated by change in other items of net working capital	*(12,901)*	*(3,928)*
Net cash from /(used in) net working capital	*(17,823)*	*(28,704)*
Net cash from /(used in) operating activities	**(9,032)**	**(1,932)**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(4,602)	(3,920)
Disposal of property, plant and equipment	26	199
(Investments) in intangible assets	(5,259)	(5,666)
Net (Investments)/disposal in investment in subsidiaries and associates	-	(4,880)
Net cash from /(used in) investing activities	**(9,836)**	**(14,267)**
FINANCING ACTIVITIES		
Financial Assets		
- Repayments	404	-
Financial Loans from banks		
- Proceeds	52,000	2,000
- (Repayments)	(1,853)	(1,930)
Financial Loans from shareholder	25,000	-
Principal elements of lease payments	(2,316)	(2,167)
Other current and non current financial liabilities	*7,028*	*15,025*
Dividends paid to minorities	(1,059)	(607)
Net cash from /(used in) financing activities	**79,204**	**11,144**
Net increase/(decrease) in cash and cash equivalents	**60,337**	**(5,055)**
Effect of foreign exchange rate changes	(169)	265
Cash and cash equivalents at beginning of year	**45,872**	**34,184**
Cash and cash equivalents as at June, 30 2020	**106,040**	**29,394**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

In 2019 Marcolin Group (also referred to herein as the "Group") sold an estimated 14 million pairs of eyeglasses and sunglasses worldwide, achieving sales of euro 486.7 million with some 1,878 employees, plus a widespread, well-structured network of independent agents.

As part of the commercial growth, along 2019 Marcolin Group established a new company in Singapore and in early 2020 in Australia. By setting up direct affiliates there, it aims to assist the Group's growth in the Asia-Pacific ("APAC") region and to enhance the marketing synergy with the regional office operating in Hong Kong. The objective is to strengthen the sales and marketing activities and offer a dedicated customer service to best meet the demands of Singapore, Malaysia, Southeast Asia and Australia.

Thanks to the important acquisition of the Viva Group in 2013 and to the stipulation of new partnership agreements with LVMH and other international businesses, Marcolin Group has become a highly global eyewear business in terms of its brand portfolio, products, geographic presence and markets.

New important licensing agreements were stipulated with some brands in 2019, such as the one in January 2019 with Barton Perreira, an independent eyewear brand based on Los Angeles.
In February 2019 Marcolin Group signed a licensing agreement with the Max Mara Fashion Group for the Sportmax brand, and in September 2019 for the Max&Co brand, one of the most important international ready-to-wear apparel brands.
In June 2019 an agreement was stipulated with adidas, a leading sportswear company in the global arena. In October licensing agreements were signed with Longines and Omega.
In November 2019, Marcolin Group and BMW Group, a leading manufacturer of premium automobiles and motorcycles, announced the stipulation of an exclusive international licensing agreement for the design, manufacturing and distribution of eyewear for the BMW, BMW M and BMW M Motorsport brands.
In December 2019 an exclusive worldwide partnership between Marcolin Group and GCDS, a clothing and accessories brand founded by the Giordano brothers and Giuliano Calza, was announced.
During the year 2019, in addition to stipulating new licensing agreements, the Group renewed important existing ones, including those with Harley-Davidson, Emilio Pucci and Kenneth Cole while during 2020 with Moncler.

Today Marcolin has a strong portfolio of licensed brands balanced between luxury, mainstream ("diffusion") and sporting segments and men's and women's segments, with a good balance between eyeglass frames and sunglasses.
The luxury segment includes some of the most glamorous fashion brands such as Tom Ford, Tod’s, Roberto Cavalli, Ermenegildo Zegna, Pucci, Moncler, Barton Perreira, Omega, Longines, Bally and Sport Max, and the diffusion segment includes Diesel, DSquared2, Guess, Guess by Marciano, Gant, Harley Davidson, Just Cavalli, Swarovski, Max&Co, BMW, GCDS, Timberland, Cover Girl, Kenneth Cole New York, Victoria’s Secret, Pink, and other brands targeted specifically to the U.S. market. The sporting segment is represented by adidas Badge of Sport and adidas Originals.
The house brands include WEB and Marcolin.

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

*****

Key business development occurred during 2020

New strategic role

On April 9, 2020 the CEO and General Manager Massimo Renon resigned from his role in Marcolin Group with effect from April 14, 2020. Till the assignation of the new role of CEO, Marcolin has adopted a proxy system in order to entrust other directors and group manager all powers to manage group activities.

On June 22, 2020 the Board of Directors of Marcolin Group appointed Fabrizio Curci as the new CEO and General Manager. Fabrizio Curci was previously CEO and General Manager of Fiera Milano S.p.A. from September 2017 to June 2020. Mr Curci has a significant experience in the automotive industry and over the years he has held executive roles of increasing responsibility in leading companies.

New financing lines

On June 24, 2020 Marcolin SpA signed a new term loan facility of euro 50 million provided by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch (the “Lenders”) and with UniCredit S.p.A. as SACE coordinator with maturity date 2025.The Company will use the proceeds from the New Term Loan to fund cost of personnel, new investments and working capital needs in respect of plants and activities located in Italy. The New Term Loan benefits from a guarantee of 90% of the amount of the New Term Loan issued by SACE SpA pursuant to the Liquidity Decree adopted on April 8th, 2020 (as subsequently converted into law) by the Italian government in the context of the extraordinary urgent measures promoted in order to deal with the economic and social impact of the Covid-19 outbreak.

On June 24, 2020, as part of the liquidity support measures being currently implemented, 3 Cime S.p.A., the major shareholder of the company, provided Marcolin SpA with a euro 25 million subordinated shareholder loan maturing in December 2025 with interests payable at the maturity date and eligible to be treated as equity credit.

On 5 June 2020 Marcolin SpA also obtained a waiver on the financial covenant set on the ssRCF. The Net Leverage covenant is suspended until 30 September 2021 and replaced with a smooth Minimum Liquidity covenant (set at euro 10 million minimum level for cash and cash equivalent plus any undrawn and available commitments for debt tested on a quarterly basis at Marcolin SpA level).

Covid-19 health emergency – update on business activities

1H 2020 has been highly impacted by the Covid-19 outbreak. Public authorities in affected countries worldwide have adopted highly restrictive containment measures that are negatively impacting eyewear demand worldwide. January and February 2020 were modestly impacted by the shut-down of our Chinese suppliers, which are now back to normal activity levels. However, our business started to deteriorate more rapidly in the 2nd half of March, with complete lockdowns across Europe, the US and many other markets. 1Q 2020 net sales decrease by 28% compared to the same quarter in 2019. Gradual recovery started in May and June with a full recovery in July. Trend stays positive for the second half of the year. At present it continues to be difficult to accurately predict the full impact of Covid-19 on FY20 results given the uncertainty of timing and pace of getting back to normality as Covid-19 spread currently persists in many parts of the world.

In this unprecedented global environment, the Group have been focusing all efforts on the following priorities:

- protecting the health and safety of all Marcolin’s employees and;
- creating a cost and cash contingency plan to navigate through the crisis.

In terms of health and safety, Group have focused on implementing all necessary and required hygiene protocols in Italian factory and logistics hubs worldwide as well as promote remote working solutions for office staff.

On the financial front, the following preventive measures to protect business continuity and to control costs and cash have been put in place:

- minimize discretionary expenditures and suspend non-crucial investments;
- align manufactory capacity utilization and sourcing to current market demand;
- optimize marketing expenses, negotiate with suppliers and landlords, reduce manager compensation and government measures across various countries to control personnel costs (e.g. employee furlough);
- focus on WC through monitor of inventory level and partnership with our customers and suppliers in order to align as much as possible cash inflows and outflows;
- additional liquidity support through euro 25 million shareholders loan and euro 50 million SACE SpA guaranteed loan (Italian Law Decree No. 23/2020) and waiver on ssRCF financial covenant.

Marcolin Group remains fully committed to safeguard the health and safety of its employees, ensure business continuity with its partners and clients and preserve the financial health of the Company. The Group is taking and will keep taking all required actions to achieve this goal.

New subsidiary in Australia

At the beginning of 2020 a new subsidiary has been established in Australia with the objectives of penetrating the Australian market both directly and through an agency network and boosting the sales volumes and profits in that region. The affiliate has started its business during the first quarter of 2020.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for the six months ended June 30, 2020 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 fiscal year.
The interim condensed consolidated 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, 2019.
The interim condensed consolidated 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 change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

Accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidation financial statements for the three months ended June 30, 2020 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2019, except taxes on income which, in the interim periods, are accrued using tax rate that would be applicable to expected total annual profit or loss and except as regards the adoption of the new or revised IFRS or IFRIC as set out below.

The Group elected to use the following types of financial statements, which are envisaged by International Accounting Standard (IAS) 1:

- the income statement that classifies costs by their nature. In addition, it was decided to present two distinct documents: the income statement and the statement of comprehensive income;
- the statement of financial position that presents separately current assets, non-current assets, current liabilities, non-current liabilities, assets held for sale and liabilities associated with assets held for sale;
- the statement of changes in equity that presents items in individual columns with reconciliation of the opening and closing balances of each item forming equity;
- the cash flow statement using the indirect method, which presents the cash flows by operating, investing and financing activities for the period.

The same financial statement format was used to prepare the annual consolidated financial statements as at December 31, 2019.
Since the figures are reported in thousands of euro, slight differences may emerge due to rounding off.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2020

The following new standards and amendments became effective on January 1, 2020:

Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)

On April 21, 2020 the European Union issued Regulation n. 2019/2075 endorsing Amendments to IFRS 3 Business Combinations (issued on 22 October 2018). This new standard did not have significant impact on the Group's accounting policies.

Amendments to IFR7, IFRS 9, IAS 39: Interest Rate Benchmark Reform (issued on 26 September 2019)

On January 15, 2020 the European Union issued Regulation n. 2017/1988 endorsing Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019). This new standard did not have significant impact on the Group's accounting policies.

Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)

On November 29, 2019 the European Union issued Regulation n. 2019/2104 endorsing Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018). This new amendment did not have significant impact on the Group's accounting policies.

Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

On November 29, 2019 the European Union issued Regulation n. 2019/2075 endorsing Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018). This new amendment did not have significant impact on the Group's accounting policies.

Amendment to IFRS16 Lease Covid – 19 Related Rent Concession (issued on 28 May 2020).

On April 24, 2020 the IASB issued the Exposure Draft ED/2020/2 with the Amendments of IFRS16 Lease Co*vid – 19 Related Rent Concession* (issued on 28 May 2020). The Amendment provides a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. This new amendment did not have significant impact on the Group's accounting policies.

New accounting standards and interpretations approved by the European Union and effective for periods after June 30, 2020

There are no accounting standards endorsed by the European Union and effective from reporting periods after June 30, 2020.

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

At the date of preparation of the condensed consolidation interim financial statements, the following new standards and interpretations had been issued by IASB but not yet endorsed by the EU.

Description	**Effective date of the standard**
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)	*January 1, 2021*
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	*January 1, 2022*
Amendments to IFRS3 Business Combination, IAS 16 Property Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Asset, Annual Improvements 2018-2020 (all issued May 14, 2020)	*January 1, 2022*
IFRS 17 (Insurance contracts)	*January 1, 2023*

Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumption 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 applying the Group's accounting policies and the key sources of estimation uncertainly 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, 2019.

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 and sunglasses.

Financial risk management

In the ordinary courses of the business the Group is exposed to a variety of financial risks including market risks (currency risk and interest 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.

Consolidated companies

The Marcolin Group's interim condensed consolidated financial statements for the six months ended June 30, 2020 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

The companies list is set forth below:

Company	Headquarters	Currency	Share capital	Consolidation method	% ownership Direct	Indirect
Marcolin Asia HK Ltd	Hong Kong	HKD	1,539,785	Full consolidation	100.0%	
Marcolin Benelux Sprl	Villers-Le-Bouillet, Belgium	EUR	280,000	Full consolidation	100.0%	
Marcolin do Brasil Ltda	Barueri - SP, Brasil	BRL	41,369,129	Full consolidation	100.0%	
Marcolin Deutschland Gmbh	Koln, Germany	EUR	300,000	Full consolidation	100.0%	
Marcolin France Sas	Paris, France	EUR	1,054,452	Full consolidation	100.0%	
Marcolin GmbH	Muttenz, Switzerland	CHF	200,000	Full consolidation	100.0%	
Marcolin Iberica SA	Barcelona, Spain	EUR	487,481	Full consolidation	100.0%	
Marcolin Nordic AB	Stockholm, Sweden	SEK	50,000	Full consolidation	100.0%	
Marcolin Portugal Lda	Lisbon, Portugal	EUR	420,000	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	CNY	1,000,000	Full consolidation	100.0%	
Marcolin UK Ltd	London, UK	GBP	3,572,718	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	Somerville, USA	USD	121,472,262	Full consolidation	100.0%	
Marcolin Singapore Pte Ltd	Singapore	SGD	100,000	Full consolidation	100.0%	
Marcolin PTY	Australia	AUD	-	Full consolidation	100.0%	
Marcolin-RUS LLC	Moscow, Russia	RUB	305,520	Full consolidation	51.0%	
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	AED	100,000	Full consolidation	51.0%	
Marcolin México S.A.P.I. de C.V.	Naucaplan de Juarez, México	MXN	100,000	Full consolidation	51.0%	
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	CNY	3,001,396	Full consolidation	100.0%	
Gin Hong Lin Intenational Co Ltd	Hong Kong	HKD	25,433,653	Full consolidation	50.0%	
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	CNY	22,045,100	Full consolidation		50.0%
Viva Eyewear Hong Kong Ltd	Hong Kong	HKD	100	Full consolidation		100.0%
Viva Eyewear UK Ltd	London, UK	GBP	-	Full consolidation		100.0%
Viva Deutschland Gmbh - in liquidation	Schwaebisch Gmund, Germany	EUR	25,000	Full consolidation		50.0%
Viva Schweiz AG - in liquidation	Wallis, Switzerland	CHF	100,000	Full consolidation		50.0%
Thélios SpA	Longarone (BL), Italy	EUR	1,000,076	Equity	49.0%	

The only change in the scope of consolidation since December 31, 2019 is the inclusion of Marcolin PTY Australia, a new established entity fully controlled by Marcolin S.p.A.

Italian tax consolidation

On March 31, 2020 the company renewed the tax consolidation agreement for the three-year term of 2020 – 2022 for the option of Italian tax consolidation for IRES purposes between the ultimate parent company, 3 Cime S.p.A., and its subsidiaries, including Marcolin S.p.A., under Presidential Decree 917, Article 117 *et seq* of December 22, 1986 (Italian Tax Code or "TUIR"). The first agreement was originally signed on 2013 subsequently renewed time by time.
The tax consolidation agreement enables each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the fiscal 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.

Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to June 30, 2020 and January-to-June 2020, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		06/30/2020	06/30/2019	Change	2020	2019	Change
Dirham Emirati Arabi	AED	4.113	4.179	(1.6)%	4.047	4.149	(2.5)%
Australian Dollar	AUD	1.634	1.624	0.6%	1.677	1.600	4.8%
Brasilian Real	BRL	6.112	4.351	40.5%	5.410	4.342	24.6%
Canadian Dollar	CAD	1.532	1.489	2.9%	1.503	1.507	(0.2)%
Swiss Franc	CHF	1.065	1.111	(4.1)%	1.064	1.129	(5.8)%
Renminbi	CNY	7.922	7.819	1.3%	7.751	7.668	1.1%
Danish Krone	DKK	7.453	7.464	(0.1)%	7.465	7.465	(0.0)%
English Pound	GBP	0.912	0.897	1.8%	0.875	0.874	0.1%
Hong Kong Dollar	HKD	8.679	8.887	(2.3)%	8.553	8.861	(3.5)%
Mexican Pesos	MXN	25.947	21.820	18.9%	23.843	21.654	10.1%
Norwegian Krone	NOK	10.912	9.694	12.6%	10.732	9.730	10.3%
Russian Rublo	RUB	79.630	71.598	11.2%	76.669	73.744	4.0%
Swedish Krona	SEK	10.495	10.563	(0.6)%	10.660	10.518	1.3%
Singapore Dollar	SGD	1.565	1.540	1.6%	1.541	1.536	0.4%
US Dollar	USD	1.120	1.138	(1.6)%	1.102	1.130	(2.5)%

ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets *(euro/000)*	**06/30/2020**	**12/31/2019**	**Increase/decrease**	
			euro	**%**
Property, plant and equipment	46,790	48,547	(1,757)	(3.6)%
Intangible assets	48,469	50,873	(2,404)	(4.7)%
Goodwill	288,537	288,449	88	0.0%
Investments in subsidiaries and associates	-	451	(451)	(100.0)%
Deferred tax assets	48,532	43,163	5,368	12.4%
Other non-current assets	308	315	(7)	(2.1)%
Non-current financial assets	1,061	1,813	(752)	(41.5)%
Total non-current assets	**433,696**	**433,610**	**86**	**0.0%**

The net value of non-current assets is in line with the net value of December 31, 2019.
Tangible assets decrease mainly refers to amortization effect which is higher than the new capitalizations.
The net value of the right of use booked in Property, plant and equipment, due to IFRS16 adoption, is euro 15.670 million. The depreciation of right of use recognized as of June 30, 2020 in the income statement is euro 2.947 million.
Investment in subsidiaries and associates only includes the equity method consolidation effect of Thélios SpA and its subsidiaries. As of June 30, 2020, the amount is classified on Current funds for some euro -8.661 million, as a direct consequence of interim operating losses of the associate entities.

Based on IAS 36 accounting principle (Impairment of assets) the Covid-19 health emergency were considered as a trigger event. The Group performed an analysis on Goodwill in order to evaluate if there were any impairment possibility as of June 30, 2020, using the forecasted financial figures for 2020 and the updated business plan taking into consideration Covid-19 effect on Group. Based on the analysis performed, Goodwill did not suffer any impairment losses.

The carrying amount of equity-accounted investments has changed as follows in the six months of 2020:

(euro/000)	**06/30/2020**
Equity as at January 01, 2020	**920**
Profit / (Loss) of the period	(18,596)
Equity as at June 30, 2020	**(17,676)**
% own by Marcolin SpA	49%
Net book value as at June 30, 2020	**(8,661)**

2. Current assets

The composition of current assets is shown below:

Current assets *(euro/000)*	**06/30/2020**	**12/31/2019**	**Increase/decrease**	
			euro	**%**
Inventories	136,002	122,777	13,225	10.8%
Trade receivables	72,690	90,674	(17,984)	(19.8)%
Other current assets	32,518	27,396	5,122	18.7%
Current financial assets	16,632	16,336	296	1.8%
Cash and bank balances	106,040	45,872	60,168	131.2%
Total current assets	**363,882**	**303,055**	**60,827**	**20.1%**

The total value of current assets increased by euro 60.827 million from December 31, 2019, mainly as a result of the combined effect of the changes listed below.

Inventories show an increase compared to December 2019 driven by drop of sales and support to second half sales recovery.

Trade receivables decreased by euro 17.984 million compared to December 31, 2019 mainly due to revenues reduction due to Covid-19 health emergency. Trade receivables are shown net of the provision for doubtful debts and returns.
Other current assets mainly include VAT credit amount and prepaid expenses and right to receive goods back accounted in accordance with IFRS15.

Current financial assets primarily refer to the financial loan granted to Thélios S.p.A. from Marcolin S.p.A. under the loan agreement stipulated with the associate entity to enable Thélios S.p.A. to finance the start-up of its business.

Finally, the increase in cash and bank balances has been reported in the Group's Consolidated Statement of Cash Flow.

3. Equity

The Parent Company's share capital is euro 35,902,749.82, fully paid-in, comprised of 61,458,375 ordinary shares without par value and 6,828,708 Class B shares without par value issued on October 5, 2017 to the new shareholder, Vicuna Holding S.p.A. The entry of new shareholder Vicuna Holding S.p.A. was part of the larger plan for the joint venture agreement with the LVMH Group, stipulated in 2017.

Accordingly, 90% of the share capital was owned by 3 Cime S.p.A. and 10% by Vicuna Holding S.p.A. as at June 30, 2020.

The share premium reserve and capital reserve account, euro 170.304 million and euro 46.108 million, respectively, refer to payments made by the Marcolin S.p.A. shareholder in 2012 and 2013 for capital increases.

The legal reserve of euro 6.437 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 8.155 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves are some euro -78.946 million and include euro -3.593 million foreign exchange difference on some intercompany loans granted by Marcolin S.p.A. to subsidiaries treated in accordance with IAS 21 as a quasi-equity loan.

The Condensed Consolidated Statement of Changes in Equity provides more detailed information.

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities	**06/30/2020**	**12/31/2019**	**Increase/decrease**	
(euro/000)			**euro**	**%**
Non-current financial liabilities	343,007	269,622	73,385	27.2%
Non-current funds	7,003	6,877	126	1.8%
Deferred tax liabilities	7,626	6,808	818	12.0%
Other non-current liabilities	53	1,764	(1,711)	(97.0)%
Total non-current liabilities	**357,689**	**285,071**	**72,619**	**25.5%**

Non-current liabilities increased by euro 72.619 million is mainly related to non-current financial liabilities.
Non-current financial liabilities mainly include:
i) the non-convertible senior-secured bond notes for a total amount of euro 250 million, issued on February 2017, with a 6-year maximum term, maturing on February 15, 2023, at a variable interest rate equal to the three-month EURIBOR (shall be subject to a floor of zero%) plus a 4.125% spread;
ii) the new term loan facility of euro 50 million provided by UniCredit S.p.A., Banco BPM S.p.A., Deutsche Bank S.p.A. and Credit Suisse AG, Milan Branch and with UniCredit S.p.A. as SACE coordinator (for more details refer to paragraph "introduction" in the section "Notes to the Interim Condensed Consolidated Financial Statements");
iii) the subordinated shareholder loan issued by 3 Cime SpA on June 24, 2020 for euro 25 million to Marcolin SpA (for more details refer to paragraph "introduction" in the section "Notes to the Interim Condensed Consolidated Financial Statements").

iv) the amount of non-current lease financial liabilities recognized as at June 30, 2020 based on IFRS16 adoption for euro 11.306 million.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities *(euro/000)*	**06/30/2020**	**12/31/2019**	**Increase/decrease**	
			euro	**%**
Trade payables	145,572	143,869	1,703	1.2%
Current financial liabilities	72,929	60,735	12,194	20.1%
Current funds	23,080	16,278	6,802	41.8%
Tax liabilities and others	32,869	33,971	(1,102)	(3.2)%
Total current liabilities	**274,451**	**254,853**	**19,598**	**7.7%**

Trade payables as at June 30, 2020 amounted to euro 145.572 million and show an increase of euro 1.703 million compared to December 2019 which is overall stable. The payments schedule has been realigned to cash inflows as a consequence of Covid-19 lockdown.

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. The amount also includes the New Revolving Credit Facility for some euro 40 million, drawn for euro 40 million as of June 30, 2020. The increase compared to December 31, 2019 mainly refers to higher utilization of the revolving credit facility (it was drawn for euro 27 million as at December 31, 2019). The effect of IFRS 16 on current lease financial liabilities is euro 5.195 million.

Current funds amounted as at June 30, 2020 to euro 23.080 million and show an increase of euro 6.802 million compared to December 2019. The increase is mainly related to the effect of the equity method consolidation of Thélios Group, classified as of June 30, 2020 on Current funds for some euro 8.661 million.

Tax liabilities and others are mainly made up of VAT and other employees tax liabilities and social contributions, and other employee’s liabilities (such as vacations and bonuses not yet paid). The decrease is mainly due to VAT temporary effect.

6. Net financial position

The net financial debt as at June 30, 2020 is set forth below in comparison with December 31, 2019:

Net financial debt *(euro/000)*	**06/30/2020**	**12/31/2019**	**Increase/decrease**	
			euro	**%**
Cash and cash equivalents	106,040	45,872	60,168	131.2%
Current and non-current financial assets	17,693	18,149	(456)	(2.5)%
Current financial liabilities	(72,929)	(60,735)	(12,194)	20.1%
Non-current financial liabilities	(343,007)	(269,622)	(73,385)	27.2%
Total net financial debt including IFRS16 effect	**(292,204)**	**(266,336)**	**(25,868)**	**8.9%**
IFRS 16 effect	(16,502)	(17,566)	1,065	(6.1)%
SHL 3 Cime	(25,000)	-	(25,000)	100.0%
Total net financial debt excluding IFRS16 effect	**(250,702)**	**(248,770)**	**(1,932)**	**0.8%**

The reported net financial debt is euro 292.204 million, compared to euro 266.336 million at December 31, 2019. The adjusted net financial debt (excluding IFRS16 effect and 3 Cime SpA shareholder loan) is euro 250.702 million, compared to euro 248.770 million at December 31, 2019.

The main components of the Group's debt are the bond notes for a notional amount of euro 250 million, new term loan facility of euro 50 million, the super senior revolving credit facility of euro 40 million, of which euro 40 million has been used as at June 30, 2020, and short and medium-term loans granted by various banks.

The current and non-current financial assets are composed prevalently of the loan granted to associate Thélios S.p.A. by Marcolin S.p.A. to provide the joint venture with sufficient funding for the start-up of its business.

*****

ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at June 30, 2020 is summarized below against the results as at June 30, 2019.

The 2020 net sales to date are euro 142.127 million, compared to euro 257.634 million for the first six months of 2019.

The June 2020 Reported Ebitda is euro 6.884 million, compared to 26.204 million for the six months of 2019. The June 2020 pre-IFRS 16 Reported Ebitda is euro 3.691 million.

Reported Ebit is euro -10.769 million, compared to euro 13.390 million for the six months of 2019. Pre-IFRS 16 Reported Ebit is euro -10.996 million.

Consolidated income statement	**06/30/2020**		**06/30/2019**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	142,127	100.0%	257,634	100.0%
Gross profit	78,907	55.5%	149,698	58.1%
Ebitda	6,884	4.8%	26,204	10.2%
Operating income - Ebit	(10,769)	(7.6)%	13,390	5.2%
Financial income and costs	(11,130)	(7.8)%	(8,954)	(3.5)%
Profit before taxes	(31,010)	(21.8)%	(2,015)	(0.8)%
Net profit/(loss) for the period	(27,196)	(19.1)%	(3,828)	(1.5)%

Excluding the effects of extraordinary transactions and IFRS 16 impact, the June 2020 Adjusted Ebitda is euro 8.180 million (5.8% of net sales), against the June 2019 Adjusted Ebitda of euro 29.286 million (11.4% of net sales).

Economic indicator - adjusted	**06/30/2020**		**06/30/2019**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	8,180	5.8%	29,286	11.4%
Operating income - Ebit	(3,306)	(2.3)%	19,272	7.5%

7. Net Revenues

The following table sets forth the net revenues by geographical area (destination markets):

Net Revenues by geographical area	06/30/2020		06/30/2019		Increase (decrease)	
(euro/000)	Net Revenues	% on total	Net Revenues	% on total	euro	%
Italy	*11,323*	*8.0%*	*20,088*	*7.8%*	*(8,765)*	*(43.6)%*
Rest of Europe	*60,802*	*42.8%*	*93,675*	*36.4%*	*(32,873)*	*(35.1)%*
Europe	72,125	50.7%	113,764	44.2%	(41,638)	(36.6)%
Americas	52,916	37.2%	107,624	41.8%	(54,708)	(50.8)%
Asia	6,437	4.5%	15,444	6.0%	(9,006)	(58.3)%
Rest of World	10,648	7.5%	20,803	8.1%	(10,155)	(48.8)%
Total	**142,127**	**100.0%**	**257,634**	**100.0%**	**(115,507)**	**(44.8)%**

In the first six months of 2020 net sales are euro 142.127 million and decrease of euro 115.507 million (-44.8%) in comparison to the same period of 2019. At constant exchange rates net sales are euro 141.981 million, with a decrease of euro 115.653 million (-44.9%) compared to previous period.

Italy
Revenues in the domestic market decrease by -43.6% compared to the same period of 2019, due to volumes reductions after the lockdown of the markets occurred in Italy starting from March 2020 for the Covid-19 health emergency, partially recovering starting from May 2020, with the month of June 2020 showing a double-digit growth compared to June 2019, keeping the good momentum in July 2020, together with similar expectation for the month of August 2020.

Rest of Europe
Revenues from the Rest of Europe market (euro 60.802 million) decreased by -35.1% compared to the same period of 2019 at current exchange rates. This area is the best performer for the Group compared to other geographies as of June 30, 2020 thanks to Germany (almost flat compared to previous year) and then Benelux, Nordics and France where businesses have been managed extremely well the Covid-19 effect ensuring a good level of sales. In the month of June 2020 some European subsidiaries had a double-digit growth compared to June 2019, confirmed in July 2020.

Americas
In the Americas area, net sales show a decrease compared to the same period of 2019 at current exchange rates for some -50.8%. This geographic area is impacted by weak results in US due to the Covid-19 effect in particular for retail and departments stores most impacted from lockdown season. 1H 2020 results in US are also affected by the discontinuation of some brands occurred at the end of 1Q 2019.
Latin America experienced a significant decrease on Net Sales, especially during 2Q20, since Covid-19 spread keep rising without sign of recovery.
July 2020 shipments show an increase compared to July 2019 in North America, showing a starting point for the recovery, while Latin America keeps suffering.

Asia
The Asian Far East market shows a decrease in net sales of some -58.3% at current exchange rates and -59.3% at constant exchange rates. This area was the first one impacted by Covid-19 health emergency, starting from February 2020. Most impacted countries were China and South Korea. The negative result is also boosted by other elements than Covid-19 effect, such as the change of Korean distributor during 2020, which determined a timing slow down on deliveries during the changing period from the former distributor to the new one and the starting activities for the planned reorganization of the Chinese subsidiary which determined a slow down on business transactions.

Rest of World
From a geographical standpoint, the “Rest of the World” includes the Middle East, the Mediterranean area and Africa. During first six months of 2020 net sales amount to euro 10.6 million and show a decrease of some -48.8% compared with the same period of the previous year. July 2020 shows a slow recovery.

8. Cost of sales

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

Cost of sales	**06/30/2020**	**% on net revenues**	**06/30/2019**	**% on net revenues**	**Increase/decrease**	
(euro/000)					**euro**	**%**
Product cost	55,278	38.9%	98,723	38.3%	(43,445)	(44.0)%
Cost of personnel	4,739	3.3%	6,196	2.4%	(1,457)	(23.5)%
Amortization, depreciation and writedowns	1,997	1.4%	1,741	0.7%	255	14.7%
Other production cost	1,206	0.8%	1,275	0.5%	(69)	(5.4)%
Total	**63,220**	**44.5%**	**107,936**	**41.9%**	**(44,716)**	**(41.4)%**

Cost of sales amounted to euro 63.220 million for the six months ended June 30, 2020, a decrease of euro 44.716 million, or 41.4%, from euro 107.936 million for the six months ended June 30, 2019.
The cost of sales as a percentage of net revenues is 44.5% for the six months ended June 30, 2020 compared to 41.9% the six months ended June 31, 2019.
Excluding D&A, Gross Margin overall keeps maintaining similar % level on net sales compared to the same period of previous year, thanks to product cost control and commercial/pricing policy on sales. Slight reduction due to negative leverage on Indirect production costs.

Other costs mainly refer to other purchasing charges and business consulting services.

9. Distribution and marketing expenses

Below is the detailed breakdown of the distribution and marketing expenses:

Distribution and marketing expenses	**06/30/2020**	**% on net revenues**	**06/30/2019**	**% on net revenues**	**Increase/decrease**	
(euro/000)					**euro**	**%**
Cost of personnel	22,627	15.9%	31,360	12.2%	(8,733)	(27.8)%
Commissions	9,849	6.9%	16,471	6.4%	(6,622)	(40.2)%
Amortization	9,230	6.5%	7,620	3.0%	1,610	21.1%
Royalties	14,926	10.5%	32,031	12.4%	(17,104)	(53.4)%
Advertising and PR	4,148	2.9%	18,829	7.3%	(14,681)	(78.0)%
Other costs	9,328	6.6%	14,558	5.7%	(5,230)	(35.9)%
Total	**70,108**	**49.3%**	**120,869**	**46.9%**	**(50,760)**	**(42.0)%**

The distribution and marketing expenses amounted to euro 70.108 million for the six months ended June 30, 2020, a decrease of euro 50.760 million or 42.0% from euro 120.869 million for six months ended June 30, 2019.

Commissions expenses amounted to euro 9.849 million in 2020, a decrease of 40.2% from the euro 16.471 million for the six months ended June 30, 2019.

In 2020 Royalties amounted to euro 14.926 million (10.5% on net revenues compared to 12.4% during 2019). The % decrease on net revenues is thanks to management actions put in place in order to waive guaranteed minimum on royalties during 2020 given the Covid-19 extraordinary situation.

Advertising and PR expenses in 2020 amounted to euro 4.148 million, a decrease of euro 14.681 million, or 78.0%, from the euro 18.829 million in the same period of 2019. As a percentage of net revenues, Advertising and PR expenses in 2020 is 2.9%, compared to 7.3% of 2019. The decrease is part of management actions in order to minimize discretionary expenditures and optimize marketing expenses given the Covid-19 extraordinary situation.

The “other costs” refer mainly to freight expenses, business travel, rent and services. In 2020, other costs amounted to euro 9.328 million, a decrease of euro 5.230 million, or 35.9%, from the euro 14.558 million in the same period of 2019. As a percentage of net revenues, they are 6.6%, compared to 5.7% for the six months ended June 30, 2019.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses *(euro/000)*	**06/30/2020**	**% on net revenues**	**06/30/2019**	**% on net revenues**	**Increase/decrease**	
					euro	**%**
Cost of personnel	7,143	5.0%	12,744	4.9%	(5,602)	(44.0)%
Amortization and writedowns	6,426	4.5%	3,456	1.3%	2,970	85.9%
Other costs	7,716	5.4%	7,522	2.9%	194	2.6%
Total	**21,285**	**15.0%**	**23,723**	**9.2%**	**(2,438)**	**(10.3)%**

General and administrative expenses amounted to euro 21.285 million for the six months ended June 30, 2020, compared to euro 23.723 million the six months ended June 30, 2019. As a percentage of net revenues, in 2020 general and administrative expenses is 15.0%, compared to 9.2% for 2019. Such increase is mainly due to the mix of expenses booked in this area, which are mainly fix.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to euro 1.717 million for the six months ended June 30, 2020. The amount mainly refers to commercial and distributive services recharged from Marcolin to the associated entity Thélios.

12. Share of profits/(losses) of associates

The amount of euro -9.111 million corresponds to the effect of consolidation using the equity method of the associate entity Thélios SpA and its subsidiaries.

13. Financial income and costs

Net Financial Income and expenses amounted to euro 11.130 million for the six months ended June 30, 2020 compared to euro 8.954 million for the six months ended June 30, 2019.
The increase compared to last year is mainly due to a higher impact of non-realized exchange rate losses, mainly due to the significant depreciation of Mexican Pesos and Brazilian Reals as at June 30, 2020 compared to December 31, 2019.

14. Income tax expense

The estimated income tax expense amounted to euro 3.814 million for the six months ended June 30, 2020, compared to the euro -1.813 million the six months ended June 30, 2019.
Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force. Income tax expense has been calculated on a prudential basis, considering the tax effect on subsidiaries with taxable net income while not considering the deferred tax asset over some entities with taxable net losses and new startup companies.

OTHER INFORMATIONS

SUBSEQUENT EVENTS

On July 6, 2020 Marcolin Group and Moncler announced the early renewal of their worldwide exclusive licensing agreement for the design, production and distribution of sunglasses, eyeglasses and ski masks under the branding of Moncler Lunettes. The partnership, which started in 2015, has been extended for an additional five years through December 31, 2025.

Refer to paragraph "introduction" in the section "Notes to the Interim Condensed Consolidated Financial Statements" for an update on how the Group is facing the spread of Covid-19.

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

In the first six months of 2020 the Group was impacted by the effect of Covid-19 all around the world. Refer to paragraph "*introduction*" in the section "*Notes to the Interim Condensed Consolidated Financial Statements*" for details.

Atypical and unusual transactions

In the first six months of 2020 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performances 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 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 transactions and outstanding balances with respect to related parties as at June 30, 2020 are shown below, as required by IAS 24. As previously noted, the Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3 Cime S.p.A..

Related Parties *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Pai Partners Sas	30	-	90	-	Related party
Coffen Marcolin Family	243	-	99	-	Related party
3 Cime S.p.A.	25	-	25,025	7,463	Consolidating
Thélios Group	1,818	1,935	6,798	20,232	Associates
Total	**2,115**	**1,935**	**32,012**	**27,695**	

The same table is set forth as at June 30, 2019:

Related Parties *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Pai Partners Sas	30	-	96	-	Related party
Coffen Marcolin Family	336	-	157	-	Related party
3 Cime S.p.A.	-	-	-	6,926	Consolidating
Thélios Group	9,444	7,319	6,763	22,758	Associates
Total	**9,810**	**7,319**	**7,015**	**29,684**	

Milan, July 28, 2020

For the Board of Directors

C.E.O.
Fabrizio Curci

MARCOLIN
EYEWEAR