

**MARCOLIN**  
EYEWEAR

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**MARCH 31, 2018**

MARCOLIN S.p.A.  
Headquarters, Executive Management and Business Offices in  
Z.I. Villanova, 4 32013 Longarone (Belluno)  
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EYEWEAR

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## GENERAL INFORMATION



## CORPORATE BOARDS AND AUDITORS

### Board of Directors<sup>1</sup>

Vittorio Levi	Chairman
Massimo Renon	C.E.O. and General Manager
Giovanni Zoppas	Executive Vice Chairman
Antonio Abete	Director
Nicolas Brugère	Director
Jacopo Forloni <sup>2</sup>	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<sup>1</sup>

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

### Internal Audit Committee<sup>3</sup>

Vittorio Levi	Chairman
Jacopo Forloni <sup>2</sup>	Internal Auditor
Cirillo Coffen Marcolin	Internal Auditor

### Supervisory Body<sup>3</sup>

Federico Ormesani	Chairman
David Reali	Supervisor
Cirillo Coffen Marcolin	Supervisor

### Independent Auditors<sup>4</sup>

PricewaterhouseCoopers S.p.A.

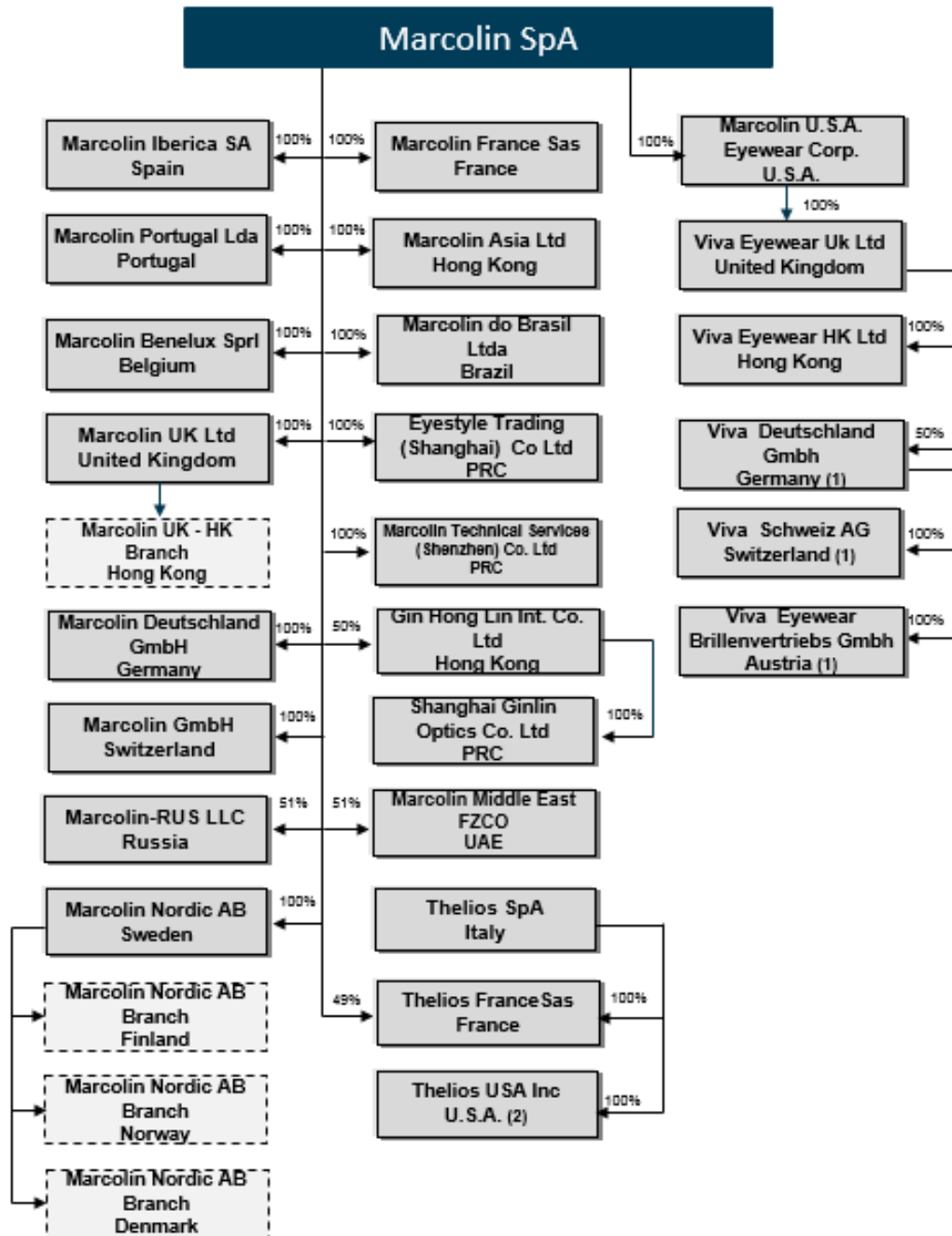
1) Term of office ends on the date of the Shareholders' Meeting called to approve the annual financial statements for the year ended December 31, 2018 (under Shareholders' Resolution of April 28, 2016).

2) Shareholders' Resolution appointment of April 26, 2018.

3) Board of Directors' appointment of April 28, 2016.

4) Term of engagement: 2016, 2017 and 2018 (under Shareholders' Resolution of April 28, 2016).

## MARCOLIN GROUP STRUCTURE



1) Companies put into liquidation on December 31, 2017;  
 2) Entity established on January 31, 2018.



**INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(euro/000)</i>	Notes	03/31/2018	12/31/2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1	28,223	29,071
Intangible assets	1	47,817	49,610
Goodwill	1	280,009	282,326
Investments in subsidiaries and associates	1	-	610
Deferred tax assets	1	34,951	34,895
Other non-current assets	1	2,603	2,596
Non-current financial assets	1; 6	2,501	3,171
<b>Total non-current assets</b>		<b>396,104</b>	<b>402,278</b>
<b>CURRENT ASSETS</b>			
Inventories	2	129,121	122,582
Trade receivables	2	99,753	82,091
Other current assets	2	14,632	14,680
Current financial assets	2; 6	16,776	13,332
Cash and cash equivalents	2; 6	35,640	40,805
<b>Total current assets</b>		<b>295,922</b>	<b>273,491</b>
<b>TOTAL ASSETS</b>		<b>692,026</b>	<b>675,769</b>
<b>EQUITY</b>			
Share capital	3	35,902	35,902
Additional paid-in capital	3	170,304	170,304
Legal reserve	3	4,263	4,263
Other reserves	3	33,306	35,639
Retained earnings (losses)	3	(47,458)	(31,944)
Profit (loss) for the period	3	1,130	(15,514)
<b>Group equity</b>		<b>197,447</b>	<b>198,650</b>
Non controlling interests	3	4,245	3,658
<b>TOTAL EQUITY</b>		<b>201,692</b>	<b>202,305</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	4; 6	254,195	255,355
Non-current funds	4	7,502	7,336
Deferred tax liabilities	4	4,682	5,546
Other non-current liabilities	4	3,035	4,689
<b>Total non-current liabilities</b>		<b>269,414</b>	<b>272,927</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	5	126,879	126,800
Current financial liabilities	5; 6	53,793	39,369
Current funds	5	1,534	418
Tax liabilities	5	8,884	6,447
Other current liabilities	5	29,830	27,503
<b>Total current liabilities</b>		<b>220,920</b>	<b>200,537</b>
<b>TOTAL LIABILITIES</b>		<b>490,334</b>	<b>473,464</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>692,026</b>	<b>675,769</b>

## CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	03/31/2018	%	03/31/2017	%
<b>NET REVENUES</b>	7	<b>122,142</b>	<b>100.0%</b>	<b>124,835</b>	<b>100.0%</b>
Cost of sales	8	(49,970)	(40.9)%	(51,491)	(41.2)%
<b>GROSS PROFIT</b>		<b>72,172</b>	<b>59.1%</b>	<b>73,344</b>	<b>58.8%</b>
Distribution and marketing expenses	9	(56,130)	(46.0)%	(53,474)	(42.8)%
General and administrative expenses	10	(9,173)	(7.5)%	(8,928)	(7.2)%
Other operating income/(expenses)	11	3,507	2.9%	66	0.1%
<b>OPERATING INCOME - EBIT</b>		<b>10,376</b>	<b>8.5%</b>	<b>11,009</b>	<b>8.8%</b>
Profit/(loss) from associates	12	(1,727)	(1.4)%	6	0.0%
Financial income	13	4,304	3.5%	1,458	1.2%
Financial costs	13	(9,747)	(8.0)%	(20,118)	(16.1)%
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>3,206</b>	<b>2.6%</b>	<b>(7,645)</b>	<b>(6.1)%</b>
Income tax expense	14	(1,251)	(1.0)%	985	0.8%
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>1,955</b>	<b>1.6%</b>	<b>(6,660)</b>	<b>(5.3)%</b>
<b>Profit (loss) attributable to:</b>					
- Owners of the parent		1,130	0.9%	(6,980)	(5.6)%
- Non-controlling interests		825	0.7%	320	0.3%

(euro/000)	03/31/2018	03/31/2017
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,955</b>	<b>(6,660)</b>
<i>Other items that will not subsequently be reclassified to profit or loss:</i>		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
<b>TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>	<b>-</b>	<b>-</b>
<i>Other items that will be subsequently reclassified to profit or loss:</i>		
Change in foreign currency translation reserve	(891)	(371)
Change in exchange rate difference on quasi equity loan	(1,442)	(1,206)
<b>TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>	<b>(2,333)</b>	<b>(1,577)</b>
<b>TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(378)</b>	<b>(8,236)</b>
<b>Profit (loss) attributable to:</b>		
- owners of the parent	(1,110)	(8,619)
- non-controlling interests	732	382

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves				S. holders deposit in s/capital	Retained earnings/ (losses)	Profit (loss) for the period	Capital and reserves net total	Non-controlling interests in equity	Total equity
				Translation reserve	Other	Actuarial gain/ (loss) reserve							
<i>(euro,000)</i>													
<b>December 31, 2016</b>	<b>32,312</b>	<b>151,994</b>	<b>4,077</b>	<b>8,958</b>	<b>834</b>	<b>(29)</b>	<b>(19,447)</b>	<b>12,167</b>	<b>236,975</b>	<b>2,052</b>	<b>239,027</b>		
Allocation of 2016 profit	-	-	186	-	-	-	11,982	(12,167)	-	-	-		
Dividends distribution	-	-	-	-	-	-	(25,900)	-	(25,900)	(50)	(25,950)		
Share capital increase	3,590	18,310	-	-	-	-	-	-	21,900	512	22,412		
Purchases from third parties of subsidiaries shares	-	-	-	-	-	-	(1,418)	-	(1,418)	518	(900)		
Other movements	-	-	-	(2,839)	-	-	2,839	-	-	-	-		
- <i>Period result</i>	-	-	-	-	-	-	-	(15,514)	(15,514)	1,046	(14,468)		
- <i>Other components of comprehensive income</i>	-	-	-	(6,488)	(10,912)	7	-	-	(17,393)	(420)	(17,813)		
Total comprehensive income	-	-	-	(6,488)	(10,912)	7	-	(15,514)	(32,906)	626	(32,280)		
<b>December 31, 2017</b>	<b>35,902</b>	<b>170,304</b>	<b>4,263</b>	<b>(370)</b>	<b>(10,078)</b>	<b>(22)</b>	<b>(31,944)</b>	<b>(15,514)</b>	<b>198,650</b>	<b>3,658</b>	<b>202,305</b>		
Allocation of 2017 loss	-	-	-	-	-	-	(15,514)	15,514	-	-	-		
Dividends distribution	-	-	-	-	-	-	-	-	-	(143)	(143)		
Change in consolidation perimeter	-	-	-	-	-	-	-	-	-	-	-		
Other movements	-	-	-	-	-	-	-	-	-	-	-		
- <i>Period result</i>	-	-	-	-	-	-	-	1,130	1,130	825	1,955		
- <i>Other components of comprehensive income</i>	-	-	-	(891)	(1,442)	-	-	-	(2,333)	(93)	(2,426)		
Total comprehensive income	-	-	-	(891)	(1,442)	-	-	1,130	(1,203)	732	(471)		
<b>March 31, 2018</b>	<b>35,902</b>	<b>170,304</b>	<b>4,263</b>	<b>(1,260)</b>	<b>(11,520)</b>	<b>(22)</b>	<b>(47,458)</b>	<b>1,130</b>	<b>197,447</b>	<b>4,245</b>	<b>201,692</b>		

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>(euro/000)</i>	<b>03/31/2018</b>	<b>12/31/2017</b>
<b>OPERATING ACTIVITIES</b>		
<i>Profit (loss) for the period</i>	1,955	(14,468)
Depreciation and amortization	4,429	15,806
Provisions	417	4,524
Impairment losses/(reversal) on investments	-	6,570
Income tax expense	1,251	8,094
Accrued interest expense	5,443	33,830
Adjustments to other non-cash items	1,725	(630)
<i>Cash generated by operations</i>	<i>15,219</i>	<i>53,727</i>
<i>Cash generated by change in operating working capital</i>	<i>(24,344)</i>	<i>(18,433)</i>
<i>Other elements in working capital</i>	<i>226</i>	<i>(5,718)</i>
Income taxes paid	(493)	(4,342)
Interest received	321	687
Interest paid	(3,405)	(26,089)
<i>Total cash generated by change in other items of net working capital</i>	<i>(3,351)</i>	<i>(35,463)</i>
<i>Net cash from /(used in) net working capital</i>	<i>(27,695)</i>	<i>(53,896)</i>
<b>Net cash from /(used in) operating activities</b>	<b>(12,476)</b>	<b>(169)</b>
<b>INVESTING ACTIVITIES</b>		
(Purchase) of property, plant and equipment	(820)	(10,228)
Disposal of property, plant and equipment	2	241
(Investments) in intangible assets	(1,778)	(6,224)
Disposal in intangible assets	-	327
(Purchase) minority shareholders share	-	(900)
Net (Investments)/disposal in investment in subsidiaries and associates	(0)	(3,808)
Cash out on business combinations net of liquidity acquired (Thélios S.p.A.)	-	(5,698)
<b>Net cash from /(used in) investing activities</b>	<b>(2,596)</b>	<b>(26,291)</b>
<b>FINANCING ACTIVITIES</b>		
<i>Financial Assets</i>		
- (Proceeds)	(2,774)	(12,006)
- Repayments	-	-
<i>Financial Loans from banks</i>		
- Proceeds	25,282	13,500
- (Repayments)	(14,434)	(9,220)
<i>Other current and non current financial liabilities</i>	<i>2,005</i>	<i>36,556</i>
Capital increase	-	22,412
Dividends paid	-	(24,843)
Changes in reserves	122	-
<b>Net cash from /(used in) financing activities</b>	<b>10,201</b>	<b>26,399</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,871)</b>	<b>(61)</b>
Effect of foreign exchange rate changes	(294)	(1,364)
<b>Cash and cash equivalents at beginning of year</b>	<b>40,805</b>	<b>42,230</b>
<b>Cash and cash equivalents at end of year</b>	<b>35,640</b>	<b>40,805</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### INTRODUCTION

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

In 2017 the Marcolin Group sold an estimated 13.6 million pairs of eyeglasses and sunglasses worldwide, with sales exceeding euro 469.1 million.

In 2017 the Group set up an important joint venture with the LVMH Group. The joint venture, fully operational in 2018, designs, manufactures and distributes Celine, Loewe and Fred branded eyeweares and potentially will handle other brands of the French group as well.

In 2017 Marcolin also stipulated a joint venture agreement with the Rivoli Group, which enabled to strengthen the Group in the Middle Eastern market, given that the Rivoli Group is one of the leading luxury retailers in that area.

Thanks to the recent joint ventures and to the 2013 acquisition of the Viva Group, the Marcolin Group has become a highly global eyewear business in terms of its brand portfolio, products, geographic presence and markets.

In 2017 the Marcolin Group had sales of euro 469.1 million and some 1,849 employees, plus a widespread, well-structured network of independent agents.

Today Marcolin has a strong portfolio of 28 licensed brands, with a good balance between the luxury and mainstream ("diffusion") segments, men's and women's products, and eyeglass frames and sunglasses.

The luxury segment includes some of the most glamorous fashion brands such as Tom Ford, Tod's, Balenciaga, Roberto Cavalli, Montblanc, Ermenegildo Zegna, Pucci, Moncler and Omega (regarding the last brand, the Group has stipulated an exclusive supply contract for the Omega boutiques); the diffusion segment includes Diesel, DSquared2, Guess, Guess by Marciano, Gant, Harley Davidson, Just Cavalli, Swarovski, Timberland, Cover Girl, Kenneth Cole New York, as well as other brands targeted specifically to the U.S. market.

The house brands include WEB and Marcolin.

Geographically, the Group is now present in all major countries across the world through direct affiliates, partnerships (joint ventures) and exclusive distribution agreements with major players of the industry.

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#### *Bond Refinancing*

In January 2017 Marcolin began a process to refinance its debt existing as at December 31, 2016. Pursuant to an in-depth analysis of the market situation, deemed favorable, on February 10, 2017 Marcolin S.p.A. issued non-convertible senior-secured bond notes for a total amount of euro 250 million, with a 6-year maximum term, maturing on February 15, 2023, at a variable interest rate equal to the three-month Euribor (with a zero-based floor) plus a 4.125% spread.

This use of this instrument was an appropriate means to restructure the financial debt efficiently and to obtain access to, at a favorable cost, financial resources designed to cover working capital requirements.

Within the scope of the bond issue, a euro 40 million super senior revolving credit facility was stipulated to provide access to funding for carrying out and developing short-term activities, of which euro 10 million had been used as at December 31, 2017.

Pursuant to the new note issue and the stipulation of the new credit facility, the previous bond notes and revolving credit facility existing at December 31, 2016 were extinguished.

The new bond notes present similar features to the previous ones, but they have much better terms and conditions given the current market conditions. Moreover, the notes issued are backed by collateral from the Company, its controlling shareholder 3 Cime S.p.A., and some other Group companies which is more restricted than the guarantees given on the previous bond notes.

The notes are listed on the Italian and Luxemburg stock markets, and the offering was made available only to qualified investors in the United States within the meaning of Rule 144A of the U.S. Securities Act of 1933, and in Italy and in other countries outside the United States in accordance with Regulation S under the U.S. Securities Act, excluding any placement with the general public and those exempt from the EU and Italian regulations for public offerings as per Directive 2003/71/EC, and Italian Legislative Decree n. 58, Article 100 of February 24, 1998 and the related enactment regulations contained in Article 34-*ter* of the Issuer Regulations adopted by CONSOB with Resolution n. 11971 of May 14, 1999. The subscription of the notes is reserved solely for qualified investors due to the features of the instruments offered and the opportunity that placement with qualified investors on the market offers to complete the transaction successfully in a short time period.

Some of the proceeds received on the new bond issue were used by Marcolin S.p.A., together with subsidiary Marcolin USA Eyewear Corp. and parent companies 3 Cime S.p.A., for a settlement agreement stipulated with HVHC Inc., former owner of the Viva Group, to discharge the Vendor Loan Note issued by 3Cime S.p.A. and to pay other amounts to settle all HVHC Inc.'s claims with Marcolin Group companies for a total amount of USD 27 million. 3 Cime S.p.A. received the amount for the Vendor Loan Note repayment by way of a euro 25.9 million dividend payment from Marcolin S.p.A. to parent Marmolada S.p.A. (merged into its parent company 3 Cime S.p.A. with a deed dated November 27, 2017).

Additional information is available on the Marcolin Group website in the document entitled “Offering Memorandum” prepared for the bond issue transaction.

#### *Joint Venture agreement with LVMH Group*

In January 2017 a joint venture agreement was signed with the LVMH Group to set up a company, 51% owned by LVMH and 49% by Marcolin S.p.A. (thus it is an associative relationship), for the production, distribution and promotion of sunglasses and eyeglasses with some brands of the LVMH Group. The first brand to be licensed to the new company by the LVMH Group is Céline. The LVMH Group will evaluate negotiations for licensing other brands of the Group in the future.

With respect to the obligations of such agreement, pursuant to the approval obtained from the antitrust authorities, on October 18, 2017 a capital increase of 6,828,708 shares was stipulated, with a different class of shares than those owned by 3 Cime S.p.A., representing 10% of share capital, with a contextual waiver by 3 Cime S.p.A. of the pre-emption right under Civil Code Article 2441 and offered for subscription to Vicuna Holding S.p.A., a subsidiary of the LVMH Group. The capital increase had a total value of euro 21,900,000.00, including a share premium of euro 18,309,725.18. Some corporate changes took place within the scope of the agreements with the new shareholder, including an increase in the maximum number of Marcolin S.p.A. Board of Director members to 13 members, the appointment as Director on October 18, 2018 of Massimo Renon, who had been with the Marcolin Group since January 2017 as the General Manager of Marketing, Products, Licenses and Sales, and who then assumed the role of C.E.O. and General Manager, whereas Giovanni Zoppas took on the role of Executive Deputy Chairman. On the same date, Giovanni Zoppas also took over the management of the Marcolin Group/LVMH joint venture as the C.E.O. The purpose of the change is to contribute to the achievement of the two companies' best possible performance, and ensure the alignment of their interests.

The opening ceremony of new production plant took place on April 24, 2018. The current production is 1.5 million pieces a year, and could potentially reach 4.5 million pieces.



#### *Joint Venture agreement with Rivoli Group in Middle East Area*

On March 23, 2017 the Marcolin Group stipulated a joint venture agreement in the Middle East with the Rivoli Group, one of the leading luxury retailers in that area. The new company, Marcolin Middle East FZCO, 51%-owned by Marcolin S.p.A. (the share acquisition was completed on June 6, 2017), is based in Dubai in the United Arab Emirates, and will distribute eyewear collections of Marcolin's portfolio brands: Tom Ford, Balenciaga, Ermenegildo Zegna, Montblanc, Roberto Cavalli, Tod's, Emilio Pucci, Swarovski, Dsquared2, Diesel, Just Cavalli, Kenneth Cole, Timberland, Guess, Gant, Harley-Davidson, Marciano, Sketchers and Web.

#### *Joint Venture agreement with Moendi in Mexico*

On April 2018, Marcolin announced the signing of a joint venture agreement with Moendi, one of the largest independent distributors in Mexico. Moendi has over 25 years of experience in the wholesale and retail distribution of luxury and diffusion sunglasses and eyeglasses in Mexico, selling more than 250,000 frames a year with 20 sales representatives covering the national territory. The joint venture, named Marcolin Mexico, is 51% owned by Marcolin Group and its headquarters will be based in Naucalpan in the State of Mexico. It will distribute the eyewear collections of some of the brands which are part of the Marcolin Group portfolio.

#### *Additional strategic objectives*

For Marcolin, after years of repositioning, reorganization and especially development activities, 2018 is a year of consolidation and additional growth, thanks to the unfolding of the positive effects of initiatives implemented successfully in previous years and to the more recent strategic projects.

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

Today Marcolin is the result of a strongly balanced product offering (between luxury and diffusion, men's and women's lines, and eyeglasses and sunglasses) and excellent geographical presence.

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

An increasing focus on innovation, certified quality, and exclusive and original designs that add value and convey added value is an integral part of Marcolin's strategies.

## ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

### Basis of operation

These interim condensed consolidated financial statements for three months ended March 31, 2018 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 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, 2017.

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 March 31, 2018 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2017, 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.

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, 2017.

Since the figures are reported in thousands of euros, slight differences may emerge due to rounding off.

### Recently issued accounting standards

#### *NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM JANUARY 1, 2018*

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.

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.

Furthermore, the following new interpretations and amendments became effective on January 1, 2018:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40 – Transfers of Investment Property;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transaction;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

#### *NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU NOT YET IN FORCE*

On October 31, 2017 the European Union issued Regulation n. 2017/1986 approving IFRS 16 (Leases). The standard will be effective for annual periods beginning on or after January 1, 2019. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

On March 22, 2018 the European Union issued Regulation n. 2018/498 adopts Amendments to IFRS 9 Financial Instruments Prepayment features with Negative Compensation. The standard will be effective for annual periods beginning on or after January 1, 2019. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

#### *NEW STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ENDORSED BY THE EU*

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
IFRS 17 (Insurance contracts)	<i>January 1, 2021</i>
IFRIC 23 Uncertainly over Income Tax Treatments	<i>January 1, 2019</i>
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	<i>January 1, 2019</i>
Annual Improvements to IFRS 2015-2017 Cycle	<i>January 1, 2019</i>
Amendments to References to the Conceptual or Settlement	<i>January 1, 2020</i>
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	<i>January 1, 2019</i>

#### **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, 2017.

## 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 three months ended March 31, 2018 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	Colonia, 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	Lisbona, Portugal	EUR	420,000	Full consolidation	100.0%	
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	CNY	3,001,396	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	CNY	1,000,000	Full consolidation	100.0%	
Marcolin UK Ltd	Newbury, UK	GBP	3,572,718	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	Somerville, USA	USD	121,472,262	Full consolidation	100.0%	
Viva Eyewear Hong Kong Ltd	Hong Kong	HKD	100	Full consolidation		100.0%
Viva Eyewear UK Ltd	North Yorkshire, UK	GBP	-	Full consolidation		100.0%
Viva Deutschland GmbH	Schwaebisch Gmund, Germany	EUR	25,000	Full consolidation		50.0%
Viva Eyewear Brillenvertriebs GmbH	Voklabruck, Austria	EUR	35,000	Full consolidation		50.0%
Viva Schweiz AG	Wallis, Switzerland	CHF	150,305	Full consolidation		50.0%
Marcolin-RUS LLC	Moscow, Russia	RUB	305,520	Full consolidation	51.0%	
Gin Hong Lin International 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%
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	AED	100,000	Full consolidation	51.0%	
Thélios SpA	Longarone (BL), Italy	EUR	1,000,000	Equity	49.0%	
Thélios France Sas	Paris, France	EUR	40,000	Equity		49.0%
Thelios USA Inc.	Somerville, USA	USD	1,000	Equity		49.0%

The following changes took place in the scope of consolidation since December 31, 2017:

- At the end of 2017 the liquidation process began for Viva Deutschland GmbH and its subsidiaries, upon expiration of the distribution agreement for the Guess and Gant brands originally stipulated with such companies. The liquidation process will conclude during 2018;
- On January 31, 2018, Thélios USA Inc., an american company wholly owned by Thélios S.p.A., has been established;
- On January 24, 2018 an agreement was stipulated to terminate relationships with the Mexican shareholder, with which a joint venture had existed through Viva Optique de Mexico SA de CV. On April 2018 a new joint venture agreement has been signed with another Mexican player, Moendi. Refer to the “*other informations*” section for further details of the transaction.

## Italian tax consolidation

At the end of 2016 the three-year term ended 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"). On March 31, 2017 the company renewed the tax consolidation agreement for the three-year term of 2017 - 2019.

The tax consolidation agreement 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.

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 March 31, 2018 and January-to-March 2018, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		03/31/2018	12/31/2017	Change	2018	2017	Change
Dirham Emirati Arabi	AED	4,525	4,404	2,7%	4,514	4,148	8,8%
Australian Dollar	AUD	1,604	1,535	4,5%	1,563	1,473	6,1%
Brasilian Real	BRL	4,094	3,973	3,0%	3,989	3,605	10,6%
Canadian Dollar	CAD	1,590	1,504	5,7%	1,554	1,465	6,1%
Swiss Franc	CHF	1,178	1,170	0,7%	1,165	1,112	4,8%
Renminbi	CNY	7,747	7,804	(0,7)%	7,815	7,629	2,4%
Danish Krone	DKK	7,453	7,445	0,1%	7,447	7,439	0,1%
English Pound	GBP	0,875	0,887	(1,4)%	0,883	0,877	0,8%
Hong Kong Dollar	HKD	9,670	9,372	3,2%	9,622	8,805	9,3%
Mexican Pesos	MXN	22,525	23,661	(4,8)%	23,037	21,329	8,0%
Norwegian Krone	NOK	9,677	9,840	(1,7)%	9,634	9,327	3,3%
Russian Rublo	RUB	70,890	69,392	2,2%	69,929	65,938	6,1%
Swedish Krona	SEK	10,284	9,844	4,5%	9,971	9,635	3,5%
US Dollar	USD	1,232	1,199	2,7%	1,229	1,130	8,8%

## 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)	03/31/2018	12/31/2017	Increase/decrease	
			euro	%
Property, plant and equipment	28,223	29,071	(848)	(2.9)%
Intangible assets	47,817	49,610	(1,793)	(3.6)%
Goodwill	280,009	282,326	(2,317)	(0.8)%
Investments in subsidiaries and associates	-	610	(610)	(100.0)%
Deferred tax assets	34,951	34,895	56	0.2%
Other non-current assets	2,603	2,596	7	0.3%
Non-current financial assets	2,501	3,171	(670)	(21.1)%
<b>Total non-current assets</b>	<b>396,104</b>	<b>402,278</b>	<b>(6,175)</b>	<b>(1.5)%</b>

The net value of non-current assets decreased by euro 6.175 million from December 31, 2017. Intangible assets decrease mainly refers to amortization effect which is higher than the new capitalizations. Goodwill decrease by euro 2.317 million is only due to translation effect.

### 2. Current assets

The composition of current assets is shown below:

Current assets (euro/000)	03/31/2018	12/31/2017	Increase/decrease	
			euro	%
Inventories	129,121	122,582	6,538	5.3%
Trade receivables	99,753	82,091	17,661	21.5%
Other current assets	14,632	14,680	(48)	(0.3)%
Current financial assets	16,776	13,332	3,444	25.8%
Cash and bank balances	35,640	40,805	(5,165)	(12.7)%
<b>Total current assets</b>	<b>295,922</b>	<b>273,491</b>	<b>22,431</b>	<b>8.2%</b>

The total value of current assets increase by euro 22.431 million from December 31, 2017, mainly as a result of the combined effect of the changes listed below.

The net value of inventories increased by euro 6.538 million compared to the previous year. The increase in closing inventories is mainly due both by business seasonality and by management expectation of higher turnover during the following quarters of 2018.

Inventory is shown net of provision for inventory impairment.

The increase in net receivables compared to December 31, 2017 is largely affected by business seasonality. DSO index keeps maintaining a great level.

Trade receivables are shown net of the provision for doubtful debts and returns.

Current financial assets increase by euro 3.444 million from December 31, 2017 and refers primarily to the financial assets due by Thélios S.p.A. to Marcolin S.p.A. under the loan agreement stipulated with the associate entity to enable the Thélios S.p.A. to finance the start-up of its business.

Finally, the decrease 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 March 31, 2018.

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 4.263 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro -1.260 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

The other reserves, euro -59.000 million, include the euro -11.520 million foreign exchange difference on the intercompany loan denominated in U.S. dollars granted by Marcolin S.p.A. to subsidiary Marcolin USA Eyewear Corp. On November 18, 2016, pursuant to a Board of Directors' meeting held on October 27, 2016 by Marcolin S.p.A., the intercompany loan's maturity date was terminated without providing for repayment of the loan in the foreseeable future. Therefore, in accordance with IAS 21, the loan to the American subsidiary is classified as a quasi-equity loan, so all the exchange differences associated with it are recognized in the consolidated financial statements in a specific equity reserve, like the exchange differences of financial statements denominated in foreign currency.

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 (euro/000)	03/31/2018	12/31/2017	Increase/decrease	
			euro	%
Non-current financial liabilities	254,195	255,355	(1,161)	(0.5)%
Non-current funds	7,502	7,336	166	2.3%
Deferred tax liabilities	4,682	5,546	(864)	(15.6)%
Other non-current liabilities	3,035	4,689	(1,654)	(35.3)%
<b>Total non-current liabilities</b>	<b>269,414</b>	<b>272,927</b>	<b>(3,513)</b>	<b>(1.3)%</b>

Non-current liabilities decrease by euro 3.513 million, mainly related to non-current financial liabilities and other non-current liabilities. The principal amount of non-current financial liabilities is 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.

## 5. Current liabilities

Current liabilities are set forth below:

Current liabilities (euro/000)	03/31/2018	12/31/2017	Increase/decrease	
			euro	%
Trade payables	126,879	126,800	79	0.1%
Current financial liabilities	53,793	39,369	14,424	36.6%
Current funds	1,534	418	1,116	267.1%
Tax liabilities and others	38,714	33,950	4,764	14.0%
<b>Total current liabilities</b>	<b>220,920</b>	<b>200,537</b>	<b>20,383</b>	<b>10.2%</b>

Current liabilities as at March 31, 2018 show an increase of euro 20.383 million compared to December 31, 2017. In particular the following may be observed:

- Trade payables as at March 31, 2018 amounted to euro 126.879 million almost in line compared to the December 31, 2017;
- 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 21 million as of March 31, 2018. The increase compared to December 31, 2017 mainly refers to higher proceeds from short-term financing from banks and from the revolving credit facility (it was drawn for euro 10 million as at December 31, 2017);
- the increase in tax liabilities and others are mainly due to tax liabilities (including VAT and other employees tax liabilities and social contributions) and other employee's liabilities (such as vacations and bonuses not yet paid).

## 6. Net financial position

The net financial debt as at March 31, 2018 is set forth below in comparison with December 31, 2017:

Net financial debt (euro/000)	03/31/2018	12/31/2017	Increase/decrease	
			euro	%
Cash and cash equivalents	35,640	40,805	(5,165)	(12.7)%
Current and non-current financial assets	19,277	16,503	2,774	16.8%
Current financial liabilities	(53,793)	(39,369)	(14,424)	36.6%
Non-current financial liabilities	(254,195)	(255,355)	1,161	(0.5)%
<b>Total net financial debt</b>	<b>(253,071)</b>	<b>(237,417)</b>	<b>(15,654)</b>	<b>6.2%</b>

The net financial debt is euro 253.071 million, compared to euro 237.417 million at December 31, 2017. The increase is mainly due to trade working capital seasonality trend.

The main components of the Group's debt are the bond notes for a notional amount of euro 250 million, the super senior revolving credit facility of euro 40 million, of which euro 21 million has been used as at March 31, 2018, 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.

The non-convertible senior-secured bond notes for a total amount of euro 250 million, issued on February 10, 2017, with a 6-year maximum term, maturing on February 15, 2023, has a variable interest rate equal to the three-month EURIBOR (shall be subject to a floor of zero%) plus a 4.125% spread.

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## ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at March 31, 2018 is summarized below against the results as at March 31, 2017.

The 2018 net sales to date are euro 122.142 million, compared to euro 124.835 million for the first three months of 2017.

The March 2018 Reported Ebitda is euro 15.222 million, compared to 15.525 million for the three months of 2017.

Reported Ebit is euro 10.376 million, compared to euro 11.015 million for the three months of 2017.

Consolidated income statement	03/31/2018		03/31/2017	
	euro	% of net revenues	euro	% of net revenues
<i>(euro/000)</i>				
Net revenues	122,142	100.0%	124,835	100.0%
Gross profit	72,172	59.1%	73,344	58.8%
Ebitda	15,222	12.5%	15,525	12.4%
Operating income - Ebit	10,376	8.5%	11,009	8.8%
Financial income and costs	(5,443)	(4.5)%	(18,660)	(14.9)%
Profit before taxes	3,206	2.6%	(7,645)	(6.1)%
Net profit/(loss) for the period	1,955	1.6%	(6,660)	(5.3)%

Economic indicator - adjusted	03/31/2018		03/31/2017	
	euro	% of net revenues	euro	% of net revenues
<i>(euro/000)</i>				
Ebitda	15,619	12.8%	15,779	12.6%
Operating income - Ebit	10,773	8.8%	11,263	9.0%

The Reported Ebitda decrease compared to previous year is mainly due to higher one-off items; excluding the effects of those extraordinary transactions, the March 2018 Adjusted Ebitda is euro 15.619 million (12.8% of net sales), against the March 2017 Adjusted Ebitda of euro 15.779 million (12.6% of net sales).

## 7. Net Revenues

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

Net Revenues by geographical area (euro/000)	03/31/2018		03/31/2017		Increase (decrease)	
	Net Revenues	% on total	Net Revenues	% on total	euro	%
Italy	8,553	7.0%	8,014	6.4%	539	6.7%
Rest of Europe	41,534	34.0%	40,527	32.5%	1,007	2.5%
Europe	50,087	41.0%	48,540	38.9%	1,546	3.2%
Americas	46,113	37.8%	50,880	40.8%	(4,767)	(9.4)%
Asia	6,775	5.5%	9,329	7.5%	(2,554)	(27.4)%
Rest of World	19,166	15.7%	16,086	12.9%	3,081	19.2%
<b>Total</b>	<b>122,142</b>	<b>100.0%</b>	<b>124,835</b>	<b>100.0%</b>	<b>(2,693)</b>	<b>(2.2)%</b>

In the first three months of 2018 net sales were euro 122.142 million, and decrease of euro 2.693 million (2.2%) in comparison to the same period of 2017. At constant exchange rates net sales would have been euro 131.617 million, with an increase of euro 6.782 million (+5.4%) compared to previous period. The significant difference from the net sales at current exchange rates and at constant exchange rates is mainly due to the USD devaluation during 2018 compared to 2017.

### Italy

Revenues in the domestic market rose significantly by +6.7% in 2018 compared to the same period of 2017. Both diffusion brands and luxury brands show a high single-digit growth, led by Tom Ford and Emilio Pucci for luxury brands, Guess and Timberland for diffusion brands.

### Rest of Europe

Revenues from the Rest of Europe market (euro 41.534 million) grew by +2.5% compared to the same period of 2017 at current exchange rates. At constant exchange rates the growth is +4.9%. Very strong performance for diffusion brands, led by Timberland, Guess and Gant, while luxury brands keeps maintaining the good results reached during 2017, led by Tom Ford.

In this area, continues the positive performance of the joint venture in Russia. Good performances also in Nordic area, Spain and Benelux.

### Americas

In the Americas area, net sales show a decrease compared to the same period of 2017 at current exchange rates for some -9.4%, while at constant exchange rates the increase is 4.3% compared to March 2017. This is due to the over 15% devaluation of USD currency compared to EUR during the first quarter of 2018 compared to the same period of 2017. At constant exchange rates both diffusion and luxury brands show positive results, mainly led by Guess, Skechers and Swarovski for diffusion brands, Tom Ford and Dsquared2 for Luxury ones.

### Asia

The Asian Far East market shows a decrease in net sales of some -27.4% at current exchange rates and -18.5% at constant exchange rates. The negative results is mainly due to the slowdown in South Korea as a consequence of social and political environment started from 2017.

### Rest of World

From a geographical standpoint, the "Rest of the World" includes the Middle East, the Mediterranean area and Africa.

During first three months of 2018 net sales amounts to euro 19.2 million and show a strong growth (+19.2%) compared with the same period of the previous year (at constant exchange rates the growth is + 23.8%).

In this area net sales are led by luxury brands which show a very high double-digit growth.

## 8. Cost of sales

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

Cost of sales (euro/000)	03/31/2018	% on net revenues	03/31/2017	% on net revenues	Increase/decrease	
					euro	%
Product cost	45,763	37.5%	47,204	37.8%	(1,441)	(3.1)%
Cost of personnel	2,865	2.3%	2,731	2.2%	135	4.9%
Amortization, depreciation and writedowns	820	0.7%	793	0.6%	26	3.3%
Other production cost	521	0.4%	762	0.6%	(241)	(31.6)%
<b>Total</b>	<b>49,970</b>	<b>40.9%</b>	<b>51,491</b>	<b>41.2%</b>	<b>(1,521)</b>	<b>(3.0)%</b>

The cost of sales amounted to euro 49.970 million for the three months ended March 31, 2018, a decrease of euro 1.521 thousand, or 3.0%, from euro 51.491 million for the three months ended March 31, 2017.

The cost of sales as a percentage of net revenues is 40.9% for the three months ended March 31, 2018 compared to 41.2% for the three months ended March 31, 2017. The improvement of Gross margin marginality is mainly due to price and cost control, despite market pressure.

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 (euro/000)	03/31/2018	% on net revenues	03/31/2017	% on net revenues	Increase/decrease	
					euro	%
Cost of personnel	14,003	11.5%	12,822	10.3%	1,181	9.2%
Commissions	7,872	6.4%	8,337	6.7%	(465)	(5.6)%
Amortization	2,570	2.1%	2,089	1.7%	480	23.0%
Royalties	14,930	12.2%	15,687	12.6%	(757)	(4.8)%
Advertising and PR	9,281	7.6%	7,912	6.3%	1,369	17.3%
Other costs	7,474	6.1%	6,626	5.3%	848	12.8%
<b>Total</b>	<b>56,130</b>	<b>46.0%</b>	<b>53,474</b>	<b>42.8%</b>	<b>2,656</b>	<b>5.0%</b>

The distribution and marketing expenses amounted to euro 56.130 million for the three months ended March 31, 2018, an increase of euro 2.656 million or 5.0% from euro 53.474 million for the three months ended March 31, 2017.

Commissions expenses amounted to euro 7.872 million in 2018, a decrease of 5.6% from the euro 8.337 million for the three months ended March 31, 2017.

In 2018 Royalties amounted to euro 14.930 million, a decrease of 4.8%, from the euro 15.687 million for the three months ended March 31, 2017. In 2018 Royalties as a percentage of net revenues is 12.2%, compared to 12.6% of 2017.

Advertising and PR expenses in 2018 amounted to euro 9.281 million, an increase of euro 1.369 million, or 17.3%, from the euro 7.912 million in the same period of 2017. As a percentage of net revenues, Advertising and PR expenses in 2018 is 7.6%, compared to 6.3% of 2017.

The "other costs" refer principally to freight expenses, business travel, rent and services. In 2018, other costs amounted to euro 7.474 million, an increase of euro 848 thousand or 12.8%, from the euro 6.626 million for the three months ended March 31, 2017, due to positive effect coming from US freight service provider renegotiation. As a percentage of net revenues they are 6.1%, compared to 5.3% for the three months ended March 31, 2017.

## 10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	03/31/2018	% on net revenues	03/31/2017	% on net revenues	Increase/decrease	
					euro	%
Cost of personnel	3,828	3.1%	3,787	3.0%	41	1.1%
Writedowns of receivables	417	0.3%	505	0.4%	(89)	(17.6)%
Amortization and writedowns	1,040	0.9%	1,122	0.9%	(82)	(7.3)%
Other costs	3,888	3.2%	3,514	2.8%	375	10.7%
<b>Total</b>	<b>9,173</b>	<b>7.5%</b>	<b>8,928</b>	<b>7.2%</b>	<b>246</b>	<b>2.8%</b>

General and administrative expenses amounted to euro 9.173 million for the three months ended March 31, 2018, the amount is in line with the same period of last year. As a percentage of net revenues, in 2018 general and administrative expenses is 7.5%, compared to 7.2% for 2017.

## 11. Other operating income and expenses

The total amount of other operating income and expenses amounted to euro 3.507 million for the three months ended March 31, 2018. The amount mainly refers to commercial and distributive services recharged from Marcolin S.p.A. to the associated entity Thélios S.p.A..

## 12. Share of profits/(losses) of associates

The amount of euro 1.727 million corresponds to the effect of consolidation using the equity method of the interest in the associates Thélios entities.

## 13. Financial income and costs

Net Financial Income and expenses amounted to euro 5.443 million for the three months ended March 31, 2018 compared to euro 18.660 million for the three months ended March 31, 2017. The significant decrease compared to previous period is directly correlated to the extraordinary refinancing operation occurred on February 2017 with a net impact on financial expenses for some euro 13.1 million. Excluding these extraordinary elements, the total net financial expenses as at March 31, 2017 are some euro 5.6 million, close to the 2018 figures. The positive impact of the lower level of interest rate of the new bond issued on February 2017 is partially offset mainly by non-realized exchange rate losses due to the USD devaluation compared to previous year.

## 14. Income tax expense

The estimated income tax expense amounted to euro -1.251 million for the three months ended March 31, 2018, compared to the euro +985 thousand for three months ended March 31, 2017.

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 April 2018, Marcolin Group announces the signing of a joint venture agreement with Moendi, one of the largest independent distributors in Mexico. Moendi has over 25 years of experience in the wholesale and retail distribution of luxury and diffusion sunglasses and eyeglasses in Mexico, selling more than 250,000 frames a year with 20 sales representatives covering the national territory. The JV, named Marcolin Mexico, is 51% owned by Marcolin Group and its headquarters will be based in Naucalpan in the State of Mexico. It will distribute the eyewear collections of some of the brands which are part of the Marcolin Group portfolio.

There were no other significant subsequent events and/or transactions.

### 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 three months of 2018, there were no significant non-recurring events and/or transactions.

#### *Atypical and unusual transactions*

In the first three months of 2018 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 March 31, 2018 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..

<b>Related Parties</b> <i>(euro/000)</i>	<b>Expenses</b>	<b>Revenues</b>	<b>Payables</b>	<b>Receivables</b>	<b>Type</b>
Tod's S.p.A.	563	54	979	485	Related party
Pai Partners Sas	15	-	115	-	Related party
Coffen Marcolin Family	175	-	278	-	Related party
O.T.B. Group	573	24	573	32	Related party
3 Cime S.p.A.	-	-	-	2,160	Consolidating
Thélios S.p.A.	-	5,222	-	19,365	Associates
<b>Total</b>	<b>1,325</b>	<b>5,300</b>	<b>1,944</b>	<b>22,043</b>	

The same table is set forth as at March 31, 2017:

<b>Related Parties</b> <i>(euro/000)</i>	<b>Expenses</b>	<b>Revenues</b>	<b>Payables</b>	<b>Receivables</b>	<b>Type</b>
Tod's S.p.A.	771	158	853	158	Related party
Pai Partners Sas	15	-	90	-	Related party
Coffen Marcolin Family	181	32	199	-	Related party
O.T.B. Group	430	5	-	1,350	Related party
3 Cime S.p.A.	-	-	-	1,212	Consolidating
<b>Total</b>	<b>1,397</b>	<b>195</b>	<b>1,142</b>	<b>2,720</b>	

Longarone; May 23, 2018

For the Board of Directors

C.E.O.

*Massimo Renon*

**MARCOLIN**  
EYEWEAR

