MARCOLIN
EYEWEAR

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

MARCOLIN S.p.A.
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Z.I. Villanova, 4 32013 Longarone (Belluno)
Share Capital Euro 35,902,749.82 Fully Paid In
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MARCOLIN
EYEWEAR

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GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors[1]

Vittorio Levi	Chairman
Massimo Renon	C.E.O. and General Manager
Giovanni Zoppas[4]	Director
Antonio Abete	Director
Nicolas Brugère[5]	Director
Jacopo Forloni	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Franck Raymond Temam	Director
Raffaele Roberto Vitale	Director

Board of Statutory Auditors[1]

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

Internal Audit Committee[2]

Vittorio Levi	Chairman
Jacopo Forloni	Internal Auditor
Cirillo Coffen Marcolin	Internal Auditor

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 Shareholders' Meeting called to approve the annual financial statements for the year ended December 31, 2021 (under Shareholders' Resolution of March 28, 2019).

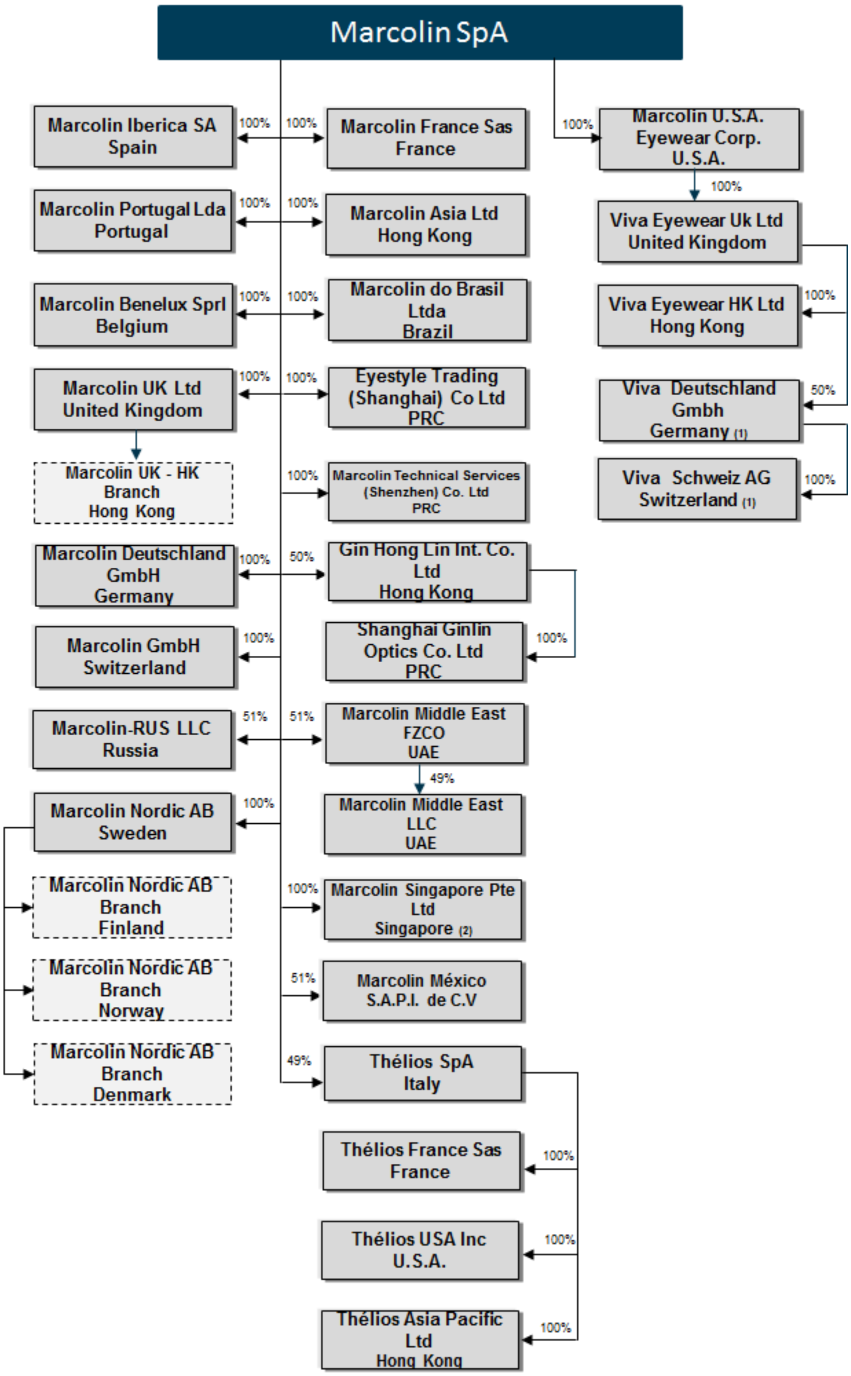
2) Board of Directors' appointment of March 28, 2019.

3) Terms of engagement: 2019, 2020 and 2021 (under Shareholders' Resolution of March 28, 2019).

4) Mr. Giovanni Zoppas resigned from the role of Executive Vice Chairman on May 30, 2019. He maintains the role of Director of Marcolin SpA as stated by Board of Directors' appointment of May 30, 2019.

5) Mr. Nicolas Brugère resigned from the role of Director on 29 October 2019, after the Board of Directors meeting approving the Interim Condensed Consolidated Financial Statements as of September 30, 2019. Directors subsequently appointed by co-option Mr. Simone Cavalieri.

MARCOLIN GROUP STRUCTURE



1) Company undergoing liquidation;
2) Marcolin Singapore Pte Ltd has been established on March 27, 2019. It is fully controlled by Marcolin SpA..

INTERIM CONDENSED
CONSOLIDATED FINANACIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	**Notes**	**09/30/2019**	**12/31/2018**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	48,064	29,941
Intangible assets	1	51,195	46,547
Goodwill	1	291,322	286,506
Investments in subsidiaries and associates	1	-	1,377
Deferred tax assets	1	41,200	41,916
Other non-current assets	1	421	4,333
Non-current financial assets	1; 6	1,822	2,513
Total non-current assets		**434,023**	**413,134**
CURRENT ASSETS			
Inventories	2	132,327	126,061
Trade receivables	2	91,329	91,992
Other current assets	2	37,445	32,128
Current financial assets	2; 6	23,270	21,294
Cash and cash equivalents	2; 6	24,015	34,184
Total current assets		**308,387**	**305,659**
TOTAL ASSETS		**742,410**	**718,793**
EQUITY			
Share capital	3	35,902	35,902
Additional paid-in capital	3	170,304	170,304
Legal reserve	3	5,483	4,263
Other reserves	3	55,758	45,131
Retained earnings (losses)	3	(57,028)	(51,041)
Profit (loss) for the period	3	(13,382)	(2,246)
Group equity		**197,037**	**202,313**
Non controlling interests	3	5,164	4,864
TOTAL EQUITY		**202,202**	**207,176**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	267,278	252,226
Non-current funds	4	6,884	6,382
Deferred tax liabilities	4	9,360	7,889
Other non-current liabilities	4	1,801	3,344
Total non-current liabilities		**285,322**	**269,841**
CURRENT LIABILITIES			
Trade payables	5	134,328	150,134
Current financial liabilities	5; 6	63,445	40,214
Current funds	5	18,194	15,162
Tax liabilities	5	5,887	5,419
Other current liabilities	5	33,032	30,848
Total current liabilities		**254,886**	**241,776**
TOTAL LIABILITIES		**540,208**	**511,617**
TOTAL LIABILITIES AND EQUITY		**742,410**	**718,793**

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	09/30/2019	%	09/30/2018	%
NET REVENUES	7	**356,616**	**100.0%**	**345,154**	**100.0%**
Cost of sales	8	(148,997)	(41.8)%	(145,566)	(42.2)%
GROSS PROFIT		**207,618**	**58.2%**	**199,587**	**57.8%**
Distribution and marketing expenses	9	(173,183)	(48.6)%	(162,638)	(47.1)%
General and administrative expenses	10	(33,486)	(9.4)%	(26,858)	(7.8)%
Other operating income/(expenses)	11	10,778	3.0%	11,011	3.2%
OPERATING INCOME - EBIT		**11,728**	**3.3%**	**21,103**	**6.1%**
Profit/(loss) from associates	12	(9,088)	(2.5)%	(7,417)	(2.1)%
Financial income	13	2,631	0.7%	6,929	2.0%
Financial costs	13	(17,713)	(5.0)%	(22,389)	(6.5)%
PROFIT (LOSS) BEFORE TAXES		**(12,442)**	**(3.5)%**	**(1,773)**	**(0.5)%**
Income tax expense	14	(388)	(0.1)%	(1,343)	(0.4)%
NET PROFIT (LOSS) FOR THE PERIOD		**(12,830)**	**(3.6)%**	**(3,116)**	**(0.9)%**
Profit (loss) attributable to:					
- Owners of the parent		(13,382)	(3.8)%	(4,139)	(1.2)%
- Non-controlling interests		551	0.2%	1,023	0.3%

(euro/000)	09/30/2019	09/30/2018
NET PROFIT (LOSS) FOR THE PERIOD	**(12,830)**	**(3,116)**
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	6,709	738
Change in exchange rate difference on quasi equity loan	4,275	2,853
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**10,984**	**3,591**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**(1,847)**	**475**
Profit (loss) attributable to:		
- owners of the parent	(2,754)	(544)
- non-controlling interests	908	1,019

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, 2017	**35,902**	**170,304**	**4,263**	**46,108**	**(370)**	**(10,078)**	**(22)**	**(31,944)**	**(15,514)**	**198,650**	**3,658**	**202,305**
Allocation of 2017 result	-	-	-	-	-	-	-	(15,514)	15,514	-	-	-
IFRS9 and IFRS15 impacts	-	-	-	-	-	-	-	(3,400)	-	(3,400)	(60)	(3,460)
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(143)	(143)
Share capital increase	-	-	-	-	-	-	-	-	-	-	3	3
- Period result	-	-	-	-	-	-	-	-	*(2,246)*	*(2,246)*	*1,415*	*(831)*
- Other components of comprehensive income	-	-	-	-	*5,673*	*3,765*	*54*	*(183)*	-	*9,309*	*(9)*	*9,300*
Total comprehensive income	-	-	-	-	5,673	3,765	54	(183)	(2,246)	7,063	1,406	8,469
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 result	-	-	1,220	-	-	-	-	(3,466)	2,246	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(607)	(607)
Dividend waiver by Shareholders	-	-	-	-	-	-	-	1,107	-	*1,107*	-	1,107
- Period result	-	-	-	-	-	-	-	-	*(13,382)*	*(13,382)*	*551*	*(12,830)*
- Other components of comprehensive income	-	-	-	-	*6,353*	*4,275*	-	*(3,628)*	-	*6,999*	*356*	*7,356*
Total comprehensive income	-	-	-	-	6,353	4,275	-	(3,628)	(13,382)	(6,382)	908	(5,475)
June 30, 2019	**35,902**	**170,304**	**5,483**	**46,108**	**11,656**	**(2,038)**	**32**	**(57,028)**	**(13,382)**	**197,037**	**5,164**	**202,201**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	**09/30/2019**	**09/30/2018**
OPERATING ACTIVITIES		
Profit (loss) for the period	(12,830)	(3,116)
Depreciation and amortization	18,304	13,799
Provisions	(105)	9,283
Income tax expense	392	1,343
Accrued interest expense	15,082	15,459
Adjustments to other non-cash items	8,829	7,401
Cash generated by operations	*29,671*	*44,169*
Cash generated by change in operating working capital	*(20,955)*	*(18,401)*
Other elements in working capital	*(147)*	*(8,643)*
Income taxes paid	(635)	(2,086)
Interest received	764	815
Interest paid	(10,249)	(9,995)
Total cash generated by change in other items of net working capital	*(10,267)*	*(19,909)*
Net cash from /(used in) net working capital	*(31,222)*	*(38,310)*
Net cash from /(used in) operating activities	**(1,551)**	**5,859**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(4,927)	(2,711)
Disposal of property, plant and equipment	259	16
(Investments) in intangible assets	(9,395)	(7,680)
Net (Investments)/disposal in investment in subsidiaries and associates	(4,900)	(9,800)
Net cash from /(used in) investing activities	**(18,963)**	**(20,176)**
FINANCING ACTIVITIES		
Financial Assets		
- (Proceeds)	(1,276)	(8,677)
- Repayments	-	-
Financial Loans from banks		
- Proceeds	2,000	-
- (Repayments)	(2,847)	(6,688)
Principal elements of lease payments	(3,411)	-
Other current and non current financial liabilities	*15,716*	*10,069*
Dividends paid to minorities	(607)	-
Net cash from /(used in) financing activities	**9,575**	**(5,296)**
Net increase/(decrease) in cash and cash equivalents	**(10,939)**	**(19,612)**
Effect of foreign exchange rate changes	771	163
Cash and cash equivalents at beginning of year	**34,184**	**40,805**
Cash and cash equivalents as at September, 30 2019	**24,015**	**21,356**

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 2018 Marcolin Group (also referred to herein as the "Group") sold some 14.7 million pairs of eyeglasses and sunglasses worldwide, achieving sales of euro 482.2 million.

As part of its strategy to expand the target markets, in 2018 Marcolin set up a new company in Mexico in partnership with a local business, Moendi, a major independent distributor in that country with over 25 years of experience in the wholesale and retail distribution of luxury and lifestyle sunglasses and eyeglasses in Mexico and in early 2019 set up a new company, Marcolin Singapore Pte Ltd, fully controlled by Marcolin SpA, in order to boost the Group's growth in the Asia Pacific region.

Thanks to the important acquisition of 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.

In 2018 Marcolin Group had sales of euro 482.2 million and some 1,950 employees, plus a widespread, well-structured network of independent agents.

Marcolin has a strong portfolio of licensed brands in the luxury and mainstream ("diffusion") 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 and the recently announced Bally, Sportmax, Barton Perreira, Omega and Longines; the diffusion segment includes Diesel, DSquared2, Guess, Guess by Marciano, Gant, Harley Davidson, Just Cavalli, Swarovski, Timberland, Cover Girl, Kenneth Cole New York and the recently announced Victoria’s Secret, Victoria’s Secret Pink and Max&Co as well as other brands targeted specifically to the U.S. market.
Finally, on June 2019 Marcolin Group entered into a very important agreement with adidas.
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.

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Key business development occurred during 2019

Operational changes
On May 30, 2019 Mr Giovanni Zoppas resigned from his role of Executive Vice Chairman remaining as a Director of the Board of Marcolin SpA. He will focus on to Thélios in the role of CEO and General Manager of the joint venture established by Marcolin with the LVMH Group. This is part of an agreed-upon plan between the parties, aimed at maximizing the overall value of Marcolin Group.

New License agreements
On January 23, 2019 Marcolin Group and Barton Perreira, an independent eyewear brand based on Los Angeles, announced the stipulation of an exclusive agreement for international distribution of Barton Perreira sunglasses and eyeglasses starting on February 1, 2019. Barton Perreira will continue to design and produce the eyewear and will manage the sales in parts in Europe, the U.S.A., Canada and Japan. The Marcolin Group will look after the distribution with selected retailers and eyewear stores in locations not already covered by Barton Perreira.

On February 19, 2019 Marcolin Group and Max Mara Fashion Group, one of the most important international fashion houses, renowned throughout the world as a forerunner of modern ready-to-wear apparel, announced the stipulation of an exclusive worldwide licensing agreement for the design, manufacturing and distribution of

Sportmax brand women's and men's sunglasses and eyeglass frames. The agreement will remain in effect for 5 years, from January 1, 2019 until December 2023.
Then on September 26, 2019 has been added Max&Co. brand for a five-year period from 2020 till 2024.

On June 04, 2019 Marcolin Group announced the renewal of the licensing agreement for the design, manufacturing, and worldwide distribution of sunglasses and eyeglasses for Harley-Davidson Motor Company.

On June 25, 2019 Marcolin Group and adidas, a global leader in the sporting goods industry, have entered into a licensing agreement for eyewear products. The partnership, stretching until 2024, will see the first eyewear products hit the market beginning in 2020. Under the terms of the licensing agreement, Marcolin Group will design, develop, manufacture, market and sell eyewear products under the adidas Badge of Sport and Originals labels.

On September 17, 2019 Marcolin Group announced the renewal of the licensing agreement for the design, manufacturing, and worldwide distribution of sunglasses and eyeglasses Emilio Pucci branded.

On October 8, 2019 Marcolin Group and Omega, the iconic Swiss watchmaker, following the launch of its debut sunglass collection in 2016, signed an agreement for the release of its next exciting range of sunglass and optical styles for men and women. Thanks to this agreement Omega has extended its distribution to independent retailers, as well as its own corporate boutiques and online shop. The complete new eyewear collection will have expanded availability through the Marcolin Group distribution network beginning November 2019.

On October 8, 2019 Marcolin Group and Longines signed a collaboration agreement for the creation of a collection of optical and sun eyewear for men and women. Developed in accordance with the strictest quality criteria and careful attention to detail, this new range captures the brand’s aesthetic and technical know-how to offer performance-oriented, elegant products reflective of its timepieces. The sunglass collection will be available in selected Longines Boutiques this fall. The complete new eyewear collection will be available in the Marcolin Group distribution network beginning November 2019.

New subsidiary in Singapore
On March 27, 2019 a new subsidiary has been established in Singapore. The entity is fully controlled by Marcolin S.p.A. and it is expected to boost the Group's growth in the Asia Pacific region and to reinforce the commercial synergy with the already existing regional office in Hong Kong, acting as a commercial hub for the entire network of wholesalers and taking care of the distribution of the brand portfolio in the area. Its aim is to strengthen sales and marketing activities and provide a dedicated customer service to better serve the Singapore region, Malaysia and South East Asia.

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for the nine months ended September 30, 2019 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, 2018.
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 nine months ended September 30, 2019 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2018, 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, 2018.
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, 2019

The following new standards and amendments became effective on January 1, 2019:

IFRS 16 (Leases)

On October 31, 2017 the European Union issued Regulation n. 2017/1986 approving IFRS 16 (Leases). Marcolin Group has adopted the new standard starting from January 1, 2019 using the simplified approach as permitted by the standard, without restating the comparative period before adopting the standard and stating that the right-of-use asset has the same value of the lease liability (adjusted for any prepaid or allocated lease costs at December 31, 2018).
On adoption of IFRS16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.
For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As of January 1, 2019, Lease liability related to previously classified "operating leases" under the principles of IAS 17 Leases is euro 19.609 million while the lease liability for leases previously classified as "finance lease" is euro 1.462 million. Total lease liability is euro 21.071 million.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets for leases previously classified as "Operating lease" under IAS 17 relate to the following types of assets:

€/000	September, 30 2019	January, 01 2019
Land and buildings	14,391	16,162
Industrial and commercial equipment	1,031	343
Cars	2,524	2,932
Other tangibles fixed assets	146	173
Total Right-of-use assets	**18,091**	**19,609**

The Group leases various buildings, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.
Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.
From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension options are included in a number of property leases across the Group. Group considered to include such options in the Lease liability amount only if it is considered more likely than not that the renewal period would be optioned.

The change in accounting policy affected Property, Plant and equipment and Financial Liabilities as of January 1, 2019 and September 30, 2019 as shown in the table below:

€/000	**September, 30 2019**	**January, 01 2019**
Right of use new IFRS16	18,091	19,609
PPE IAS17 finance lease	509	697
Total amount righ of use for lease in PPE	**18,600**	**20,307**
Non current lease liabilities new IFRS16	13,795	15,302
Non current finance lease liabilities IAS17	1,820	819
Total non current finance lease liabilities	**15,615**	**16,121**
Current lease liabilities IFRS16	4,899	4,307
Current finance lease liabilities IAS17	1,031	643
Total current finance lease liabilities	**5,930**	**4,950**
Total finance lease liabilities	**21,545**	**21,071**

As of September 30, 2019, EBITDA Reported and Adjusted has a positive impact due to IFRS 16 of some euro 3.930 million since rents of operating lease aren't classified on operating expenses. Instead, right-of-use depreciation is euro 3.881 million and interest cost is euro 0.647 million. Total impact on Earnings before tax is euro -0.597 million.

Annual Improvements 2015-2017 Cycle (issued on 12 December 2017)

On March 14, 2019 the European Union issued Regulation n. 2019/412 endorsing Annual Improvements 2015-2017 Cycle (issued on 12 December 2017). This new standard did not have significant impact on the Group's accounting policies.

IFRIC 23 Uncertainty over Income Tax Treatments

On October 23, 2018 the European Union issued Regulation n. 2018/1595 endorsing IFRIC 23 — Uncertainty over Income Tax Treatments. This new standard did not have significant impact on the Group's accounting policies.

Amendments to IFRS9 – Prepayment Features with negative compensation

On March 22, 2018 the European Union issued Regulation n. 2018/498 endorsing Prepayment Features with Negative Compensation (Amendments to IFRS 9). This new amendment did not have significant impact on the Group's accounting policies.

Amendments to IAS28 – Long-term Interests in Associates and Joint Ventures

On February 08, 2019 the European Union issued Regulation n. 2019/237 endorsing Long-term Interests in Associates and Joint Ventures (Amendments to IAS28). This new amendment did not have significant impact on the Group's accounting policies.

Amendments to IAS19 – Plan Amendment, Curtailment or Settlement

On March 13, 2019 the European Union issued Regulation n. 2019/402 endorsing Plan Amendment, Curtailment or Settlement (Amendments to IAS19). 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 December 31, 2019

There are no accounting standards endorsed by the European Union and effective from reporting periods after December 31, 2019.

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**
IFRS 17 (Insurance contracts)	January 1, 2021
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	*January 1, 2020*
Amendment to IFRS 3 Business Combinations (issued on 22 October 2018)	*January 1, 2020*
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	*January 1, 2020*
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (issued on 26 September 2019)	*January 1, 2020*

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, 2018.

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 September 30, 2019 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-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	1,000,000	Equity	49.0%	
Thélios France Sas	Paris, France	EUR	40,000	Equity		49.0%
Thélios USA Inc.	Somerville, USA	USD	1,000	Equity		49.0%
Thélios Asia Pacific Ltd	Hong Kong	HKD	100,000	Equity		49.0%

The only change in the scope of consolidation since December 31, 2018 is the inclusion, starting from March 27, 2019 of Marcolin Singapore Pte Ltd., a new established entity fully controlled by Marcolin S.p.A..

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 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 September 30, 2019 and January-to-June 2019, respectively):

Currency	Symbol	Closing exchange rate 09/30/2019	12/31/2018	Change	Average exchange rate 2019	2018	Change
Dirham Emirati Arabi	AED	3.999	4.205	(4.9)%	4.126	4.386	(5.9)%
Australian Dollar	AUD	1.613	1.622	(0.6)%	1.608	1.576	2.0%
Brasilian Real	BRL	4.529	4.444	1.9%	4.365	4.297	1.6%
Canadian Dollar	CAD	1.443	1.561	(7.6)%	1.493	1.537	(2.8)%
Swiss Franc	CHF	1.085	1.127	(3.7)%	1.118	1.161	(3.7)%
Renminbi	CNY	7.778	7.875	(1.2)%	7.713	7.779	(0.8)%
Danish Krone	DKK	7.466	7.467	(0.0)%	7.464	7.450	0.2%
English Pound	GBP	0.886	0.895	(1.0)%	0.883	0.884	(0.1)%
Hong Kong Dollar	HKD	8.537	8.968	(4.8)%	8.807	9.363	(5.9)%
Mexican Pesos	MXN	21.452	22.492	(4.6)%	21.634	22.738	(4.9)%
Norwegian Krone	NOK	9.895	9.948	(0.5)%	9.771	9.588	1.9%
Russian Rublo	RUB	70.756	79.715	(11.2)%	73.085	73.416	(0.5)%
Swedish Krona	SEK	10.696	10.255	4.3%	10.568	10.237	3.2%
Singapore Dollar	SGD	1.506	1.559	(3.4)%	1.533	1.600	(4.2)%
US Dollar	USD	1.089	1.145	(4.9)%	1.124	1.194	(5.9)%

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)*	09/30/2019	12/31/2018	Increase/decrease	
			euro	%
Property, plant and equipment	48,064	29,941	18,122	60.5%
Intangible assets	51,195	46,547	4,648	10.0%
Goodwill	291,322	286,506	4,815	1.7%
Investments in subsidiaries and associates	-	1,377	(1,377)	(100.0)%
Deferred tax assets	41,200	41,916	(716)	(1.7)%
Other non-current assets	421	4,333	(3,911)	(90.3)%
Non-current financial assets	1,822	2,513	(691)	(27.5)%
Total non-current assets	**434,023**	**413,134**	**20,889**	**5.1%**

The net value of non-current assets increases by euro 20.889 million from December 31, 2018.
The increase in Property, plant and equipment is mainly due to IFRS 16 adoption, due to the recognition of the right-of-use assets as at January 01, 2019 of euro 19.609 million. “Accounting policies” section includes more details about the effect of IFRS 16 adoption.
Goodwill increase by euro 4.815 million is only due to translation effect.
Investment in subsidiaries and associates only includes the equity method consolidation effect of Thélios SpA and its subsidiaries. As of September 30, 2019, the amount is classified on Current funds for some euro -2.810 million, as a direct consequence of interim operating losses of the associate entities.

The carrying amount of equity-accounted investments has changed as follows in the nine months to September 2019:

(euro/000)	**09/30/2019**
Equity as at January 01, 2019	**2,809**
Profit / (Loss) of the period	(18,749)
Capital Increase	10,000
Translation Reserve	205
Equity as at September 30, 2019	**(5,735)**
% own by Marcolin SpA	49%
Net book value as at September 30, 2019	**(2,810)**

2. Current assets

The composition of current assets is shown below:

Current assets *(euro/000)*	09/30/2019	12/31/2018	Increase/decrease	
			euro	%
Inventories	132,327	126,061	6,266	5.0%
Trade receivables	91,329	91,992	(663)	(0.7)%
Other current assets	37,445	32,128	5,317	16.6%
Current financial assets	23,270	21,294	1,976	9.3%
Cash and bank balances	24,015	34,184	(10,169)	(29.7)%
Total current assets	**308,387**	**305,659**	**2,728**	**0.9%**

The total value of current assets increased by euro 2.728 million from December 31, 2018, mainly as a result of the combined effect of the changes listed below.

The increase on Inventories by euro 6.266 million compared to the previous year is mainly due to seasonality effect on sales. Stock management keeps being good.
Inventory is shown net of provision for inventory impairment.

Trade receivables are stable compared to December 31, 2018. DSO index keeps maintaining a great level.
Trade receivables are shown net of the provision for doubtful debts and returns.

Other current assets increase is strictly related to the increased VAT credit amount as a consequence of the business seasonality experienced by the Group during the third quarter of the year.

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 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 September 30, 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 5.483 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 11.656 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves, euro -59.034 million, include euro -2.168 million foreign exchange difference on the intercompany loan denominated in U.S. dollars granted by Marcolin S.p.A. to the 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	**09/30/2019**	**12/31/2018**	**Increase/decrease**	
(euro/000)			**euro**	**%**
Non-current financial liabilities	267,278	252,226	15,052	6.0%
Non-current funds	6,884	6,382	502	7.9%
Deferred tax liabilities	9,360	7,889	1,472	18.7%
Other non-current liabilities	1,801	3,344	(1,544)	(46.2)%
Total non-current liabilities	**285,322**	**269,841**	**15,481**	**5.7%**

Non-current liabilities increase by euro 15.481 million is mainly related to non-current financial liabilities, deferred tax liabilities and other non-current funds. 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. The amount of non-current lease financial liabilities recognized as at September 30, 2019 based on IFRS16 adoption is euro 13.795 million. "Accounting policies" section includes more details about the effect of IFRS 16 adoption.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities *(euro/000)*	09/30/2019	12/31/2018	Increase/decrease	
			euro	%
Trade payables	134,328	150,134	(15,806)	(10.5)%
Current financial liabilities	63,445	40,214	23,231	57.8%
Current funds	18,194	15,162	3,033	20.0%
Tax liabilities and others	38,919	36,267	2,652	7.3%
Total current liabilities	**254,886**	**241,776**	**13,110**	**5.4%**

Current liabilities as at September 30, 2019 show an increase of euro 13.110 million compared to December 31, 2018.

Trade payables as at September 30, 2019 amounted to euro 134.328 million and show a decrease of euro 15.806 million compare to December 2018 due to seasonality effect;

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 30 million as of September 30, 2019. The increase compared to December 31, 2018 mainly refers to higher utilization of the revolving credit facility (it was drawn for euro 10 million as at December 31, 2018) and the effect of IFRS 16 on current lease financial liabilities for euro 4.899 million. "Accounting policies" section includes more details about the effect of IFRS 16 adoption;

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 September 30, 2019 is set forth below in comparison with December 31, 2018:

Net financial debt *(euro/000)*	09/30/2019	12/31/2018	Increase/decrease	
			euro	%
Cash and cash equivalents	24,015	34,184	(10,169)	(29.7)%
Current and non-current financial assets	25,092	23,807	1,285	5.4%
Current financial liabilities	(63,445)	(40,214)	(23,231)	57.8%
Non-current financial liabilities	(267,278)	(252,226)	(15,052)	6.0%
Total net financial debt	**(281,616)**	**(234,449)**	**(47,167)**	**16.7%**

The net financial debt is euro 281.616 million, compared to euro 234.449 million at December 31, 2018. The increase is mainly due to trade working capital seasonality and the capital injection on the associate entity Thélios SpA executed on March 2019 for some euro 4.900 million. Besides the effect on net financial position of IFRS 16 adoption as of September 30, 2019 is euro 18.7 million.
For more details related IFRS 16 adoption, see the specific paragraph "Accounting policies".

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 30 million has been used as at September 30, 2019, 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 September 30, 2019 is summarized below against the results as at September 30, 2018.

The 2019 net sales to date are euro 356.616 million, compared to euro 345.154 million for the first nine months of 2018.

The September 2019 Reported Ebitda is euro 31.549 million, compared to 34.902 million for the nine months of 2018. The September 2019 pre-IFRS 16 Reported Ebitda is euro 27.619 million.

Reported Ebit is euro 11.728 million, compared to euro 21.103 million for the nine months of 2018. Pre-IFRS 16 Reported Ebit is euro 11.678 million.

Consolidated income statement	**09/30/2019**		**09/30/2018**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	356,616	100.0%	345,154	100.0%
Gross profit	207,618	58.2%	199,587	57.8%
Ebitda	31,549	8.8%	34,902	10.1%
Operating income - Ebit	11,728	3.3%	21,103	6.1%
Financial income and costs	(15,082)	(4.2)%	(15,459)	(4.5)%
Profit before taxes	(12,442)	(3.5)%	(1,773)	(0.5)%
Net profit/(loss) for the period	(12,830)	(3.6)%	(3,116)	(0.9)%

Excluding the effects of extraordinary transactions and IFRS 16 impact, the September 2019 Adjusted Ebitda is euro 34.156 million (9.6% of net sales), against the September 2018 Adjusted Ebitda of euro 36.583 million (10.6% of net sales).

Economic indicator - adjusted	**09/30/2019**		**09/30/2018**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	34,156	9.6%	36,583	10.6%
Operating income - Ebit	18,611	5.2%	22,784	6.6%

7. Net Revenues

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

Net Revenues by geographical area	**09/30/2019**		**09/30/2018**		**Increase (decrease)**	
(euro/000)	**Net Revenues**	**% on total**	**Net Revenues**	**% on total**	**euro**	**%**
Italy	*25,761*	*7.2%*	*24,793*	*7.2%*	*968*	*3.9%*
Rest of Europe	*127,414*	*35.7%*	*119,831*	*34.7%*	*7,583*	*6.3%*
Europe	153,174	43.0%	144,624	41.9%	8,551	5.9%
Americas	151,979	42.6%	139,862	40.5%	12,117	8.7%
Asia	20,241	5.7%	21,260	6.2%	(1,019)	(4.8)%
Rest of World	31,221	8.8%	39,408	11.4%	(8,186)	(20.8)%
Total	**356,616**	**100.0%**	**345,154**	**100.0%**	**11,462**	**3.3%**

In the first nine months of 2019 net sales were euro 356.616 million and increase of euro 11.462 million (3.3%) in comparison to the same period of 2018. At constant exchange rates net sales are euro 347.068 million, with an increase of euro 1.915 million (+0.6%) compared to previous period.

Italy
Revenues in the domestic market grew by +3.9% compared to the same period of 2018, very good performance for Tom Ford, Swarovski and the new recently announced brands.

Rest of Europe
Revenues from the Rest of Europe market (euro 127.414 million) increased by 6.3% compared to the same period of 2018 at current exchange rates. Very strong performance both for diffusion and luxury brands, led by Guess, Swarovski and Tom Ford.
In this area continues the positive performance in Spain, Germany, France and Russia.

Americas
In the Americas area, net sales show an increase compared to the same period of 2018 at current exchange rates for some 8.7%, while at constant exchange rates the increase is +3.2%. At constant exchange rates luxury brands show a very positive growth, mainly led by Tom Ford and Ermenegildo Zegna; Timberland, Swarovski and Kenneth Cole show strong performances for diffusion brands.

Asia
The Asian Far East market shows a decrease in net sales of some -4.8% at current exchange rates and -9.5% at constant exchange rates. During the second and third quarter of 2019 this region started recovering the slowdown occurred during first quarter 2019.

Rest of World
From a geographical standpoint, the “Rest of the World” includes the Middle East, the Mediterranean area and Africa.
During first nine months of 2019 net sales amount to euro 31.2 million and show a decrease of some 20.8% compared with the same period of the previous year, slightly recovering the slowdown experienced during first half 2019.

8. Cost of sales

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

Cost of sales	**09/30/2019**	**% on net revenues**	**06/30/2018**	**% on net revenues**	**Increase/decrease**	
(euro/000)					**euro**	**%**
Product cost	135,225	37.9%	132,594	38.4%	2,630	2.0%
Cost of personnel	8,985	2.5%	8,516	2.5%	469	5.5%
Amortization, depreciation and writedowns	2,712	0.8%	2,607	0.8%	105	4.0%
Other production cost	2,076	0.6%	1,849	0.5%	226	12.2%
Total	**148,997**	**41.8%**	**145,566**	**42.2%**	**3,431**	**2.4%**

The cost of sales amounted to euro 148.997 million for the nine months ended September 30, 2019, an increase of euro 3.431 million, or 2.4%, from euro 145.566 million for the nine months ended September 30, 2018.
The cost of sales as a percentage of net revenues is 41.8% for the nine months ended September 30, 2019 compared to 42.2% for the nine months ended September 30, 2018.

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)	09/30/2019	% on net revenues	06/30/2018	% on net revenues	Increase/decrease euro	%
Cost of personnel	44,979	12.6%	42,032	12.2%	2,947	7.0%
Commissions	22,408	6.3%	22,061	6.4%	347	1.6%
Amortization	11,904	3.3%	8,016	2.3%	3,887	48.5%
Royalties	45,638	12.8%	43,750	12.7%	1,888	4.3%
Advertising and PR	26,243	7.4%	22,958	6.7%	3,285	14.3%
Other costs	22,012	6.2%	23,820	6.9%	(1,809)	(7.6)%
Total	**173,183**	**48.6%**	**162,638**	**47.1%**	**10,546**	**6.5%**

The distribution and marketing expenses amounted to euro 173.183 million for the nine months ended September 30, 2019, an increase of euro 10.546 million or 5.3% from euro 162.638 million for the nine months ended September 30, 2018.

Commissions expenses amounted to euro 22.408 million in 2019, an increase of 1.6% from the euro 22.061 million for the nine months ended September 30, 2018.

In 2019 Royalties amounted to euro 45.638 million. In 2019 Royalties as a percentage of net revenues is 12.8%, compared to 12.7% of 2018.

Advertising and PR expenses in 2019 amounted to euro 26.243 million, an increase of euro 3.285 million, or 14.3%, from the euro 22.958 million in the same period of 2018. As a percentage of net revenues, Advertising and PR expenses in 2019 is 7.4%, compared to 6.7% of 2018. The increase is mainly related to a different timing on purchases compared to previous year.

The “other costs” refer mainly to freight expenses, business travel, rent and services. In 2019, other costs amounted to euro 22.012 million, a decrease of euro 1.809 million or 7.6%, from the euro 23.820 million for the nine months ended September 30, 2018. As a percentage of net revenues, they are 6.2%, compared to 6.9% for the nine months ended September 30, 2018.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	09/30/2019	% on net revenues	06/30/2018	% on net revenues	Increase/decrease euro	%
Cost of personnel	16,107	4.5%	11,133	3.2%	4,974	44.7%
Amortization and writedowns	5,206	1.5%	3,175	0.9%	2,030	63.9%
Other costs	12,173	3.4%	12,549	3.6%	(376)	(3.0)%
Total	**33,486**	**9.4%**	**26,858**	**7.8%**	**6,628**	**24.7%**

General and administrative expenses amounted to euro 33.486 million for the nine months ended September 30, 2019, compared to euro 26.858 million for the nine months ended September 30, 2018. As a percentage of net revenues, in 2019 general and administrative expenses is 9.4%, compared to 7.8% for 2018. The increase is mainly related to extraordinary expenses for personnel reorganization.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to euro 10.778 million for the nine months ended September 30, 2019. 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 -9.088 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 15.082 million for the nine months ended September 30, 2019 compared to euro 15.459 million for the nine months ended September 30, 2018.
The decrease compared to last year is mainly due to a reduced amount of exchange rate differences as a consequence of a lower volatility of main foreign currencies used by the Group. For instance, during 2018 Brazilian Reals experienced a strong devaluation while during 2019 shows a lower volatility.

14. Income tax expense

The estimated income tax expense amounted to euro 0.388 million for the nine months ended September 30, 2019, compared to the euro 1.343 million for nine months ended September 30, 2018.
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 October 8, 2019 Marcolin Group signed new agreements with Omega and Longines for the production and distribution of products Omega and Longines branded. More information is available at the paragraph "*Notes to the Interim Condensed Consolidateed Financial Statements*".
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 nine months of 2019, there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first nine months of 2019 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 September 30, 2019 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**
Tod's S.p.A.	750	179	625	164	Related party
Pai Partners Sas	45	-	77	-	Related party
Coffen Marcolin Family	502	0	218	0	Related party
O.T.B. Group	1,918	174	223	638	Related party
3 Cime S.p.A.	-	-	-	6,652	Consolidating
Thélios	14,178	9,663	5,457	24,768	Associates
Total	**17,392**	**10,016**	**6,600**	**32,222**	

The same table is set forth as at September 30, 2018:

Related Parties *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Tod's S.p.A.	1,688	224	1,314	184	Related party
Pai Partners Sas	45	-	104	-	Related party
Coffen Marcolin Family	512	-	231	-	Related party
O.T.B. Group	1,498	50	-	488	Related party
3 Cime S.p.A.	-	-	-	1,050	Consolidating
Thélios S.p.A.	10,218	16,118	5,671	17,522	Associates
Total	**13,960**	**16,392**	**7,320**	**19,243**	

Longarone; October 29, 2019

For the Board of Directors

C.E.O.
Massimo Renon

MARCOLIN
EYEWEAR