MARCOLIN
EYEWEAR

2016 ANNUAL REPORT

MARCOLIN
EYEWEAR

MARCOLIN
EYEWEAR

TOM FORD
BALENCIAGA
MONCLER LUNETTES
Ermenegildo Zegna
MONT BLANC
roberto cavalli eyewear
TOD'S
EMILIO PUCCI
SWAROVSKI
DSQUARED2
DIESEL
Just cavalli EYEWEAR
COVERGIRL EYEWEAR
KENNETH COLE
Timberland
GUESS
GANT EYEWEAR
HARLEY-DAVIDSON EYEWEAR
MARCIANO
CATHERINE DENEUVE LUNETTES
SKECHERS EYEWEAR
BONGO EYEWEAR
Candie's eyewear
RAMPAGE EYEWEAR
VIVA eyewear
MARCOLIN EYEWEAR
WEB EYEWEAR

MARCOLIN
EYEWEAR

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GENERAL INFORMATION

MARCOLIN S.p.A.
Headquarters, Executive Management and Business Offices in
Z.I. Villanova, 4
32013 Longarone (Belluno)
Share Capital Euro 32,312,475.00 Fully Paid In
R.E.A. n. 64334
Tax and Companies Register n.
BL 01774690273
VAT n. 00298010257
Single-Member Company

Tel +39.0437.777111
Fax +39.0437.777282
www.marcolin.com

CORPORATE BOARDS AND AUDITORS

Board of Directors[1]

Vittorio Levi	Chairman
Giovanni Zoppas	C.E.O. and General Manager
Antonio Abete	Director
Nicolas Brugère	Director
Francesco Capurro	Director
Cirillo Coffen Marcolin	Director
Roberto Ferraresi	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
Roberto Ferraresi	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, 2018 (under the Shareholders' Resolution of April 28, 2016).

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

3) Term of engagement: 2016 - 2018 (under the Shareholders' Resolution of April 28, 2016).

SHARE CAPITAL AND OWNERSHIP

The Parent Company's share capital is euro 32,312,475.00, fully paid-in, comprised of 61,458,375 ordinary shares, without par value. The share capital is wholly owned by the sole shareholder, Marmolada S.p.A., a single-member company based in Milan.

Marcolin shares have normal dividend rights and are encumbered by liens. At the end of 2013, Marcolin issued bond notes, secured by collateral for the same amount of the obligations assumed with the bondholders, including a lien on the shares of the Issuer, Marcolin, representing 100% of share capital.

No changes occurred during the years ended December 31, 2015 and 2016 that changed the composition of share capital, which therefore is in line with the composition reported at December 31, 2015.

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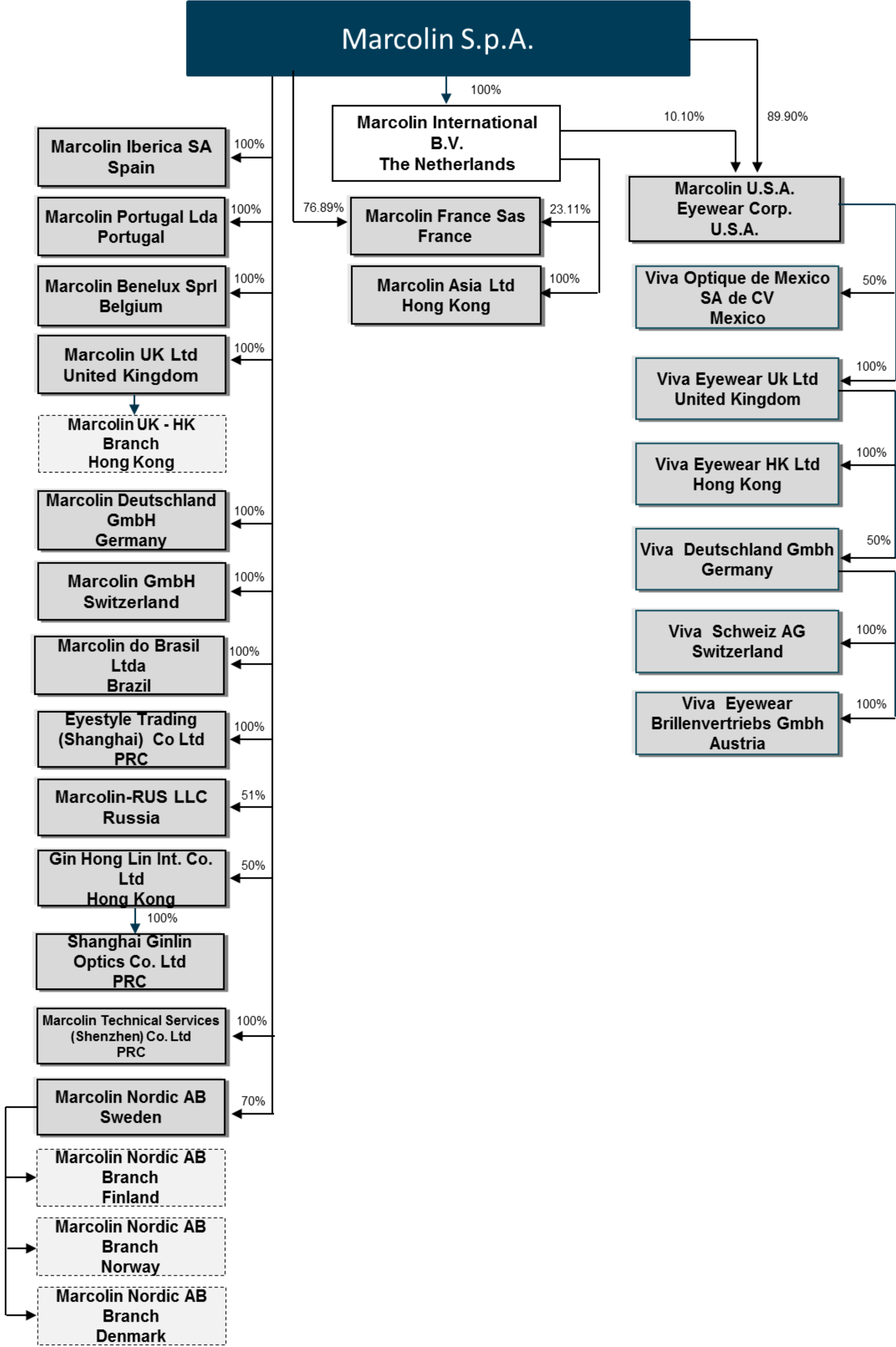
MARCOLIN GROUP STRUCTURE AS AT DECEMBER 31, 2016



THE MARCOLIN GROUP

Marcolin, an 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 2016 the Marcolin Group sold an estimated 13.5 million pairs of eyeglasses and sunglasses worldwide, with sales exceeding euro 442 million.

The results of 2016 benefited from the completion of the Viva integration process, concluded in December 2015 with the transfer the Via Canada business to Marcolin USA Eyewear Corp. Viva integration entailed reorganizing the distribution networks on an international scale, revising logistic flows, improving the efficiency of the business structures in all the countries where present, and consequentially revising the cost structures.

Thanks to Viva's products and markets complementing those of the Marcolin Group, the Viva integration has improved Marcolin's standing as a highly global eyewear company in terms of its brand portfolio, products, geographic presence and markets.

In 2016 the Marcolin Group reached net revenues of euro 442 million and some 1,713 employees, plus a widespread, well-structured network of independent agents.

Today Marcolin has a strong portfolio of 26 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, Zegna, Pucci, and most recently Moncler and Omega (regarding the latter brand, the Group has stipulated an exclusive supply contract for the Omega boutiques), and Moncler; 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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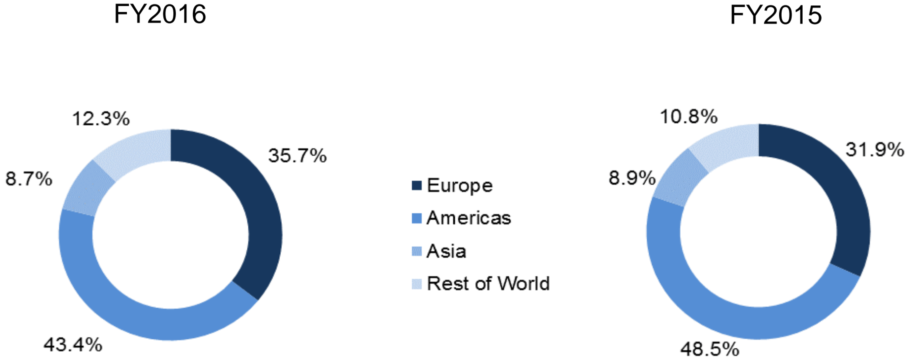
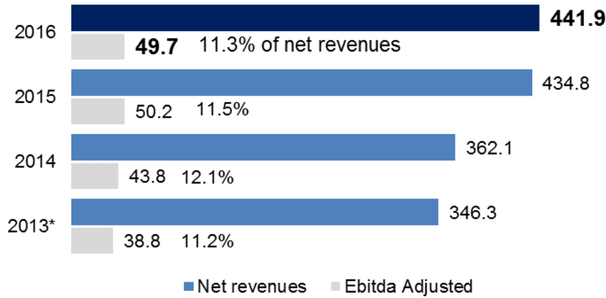
THE GROUP'S FINANCIAL HIGHLIGHTS

Net revenues by geographical area (destination market)

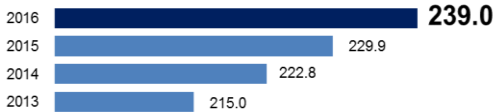


Net revenues and adjusted EBITDA *(euro/millions)*

excluding non-current costs incurred for extraordinary transactions



Equity *(euro/millions)*



Net financial debt *(euro/millions)*

** with a constant perimeter, including the Viva group for 12 months*

MARCOLIN GROUP
REPORT ON OPERATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2016

GROUP REPORT ON OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

Consistently with previous periods, the Annual Financial Report for the year ended December 31, 2016 (which includes the consolidated financial statements of the Marcolin Group and the separate financial statements of Marcolin S.p.A.) was prepared in conformity with the valuation and measurement criteria established by the international accounting standards (IAS/IFRS) adopted by the European Commission with Regulation 1606/2002, Article 6, of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, and with the measures enacting Legislative Decree n. 38/2005.

BUSINESS PERFORMANCE

***The eyewear industry*[4]**

Italian eyewear

According to ANFAO, during 2016 Italian eyewear exports grew by 3.6%, whereas the domestic demand rose by 2.2%. Those rates are below expectations and considerably below the performance of previous years as a result of an economy featuring high levels of uncertainty and political instability. Italian eyewear production grew by 9.4% from 2013 to 2014 and by 12.5% from 2014 to 2015, whereas in 2016 growth slowed down to 3.7%. The sunglass segment performed well in 2016, whereas the eyeglass frame segment experienced a significant downturn.
On a global level, Europe reports the highest growth, whereas the least growth is reported in America, and growth in Asia fell slightly. Even exports in emerging countries reported results below expectations, due to both the global economic situation and the business aspects and complexities of such countries. Mexico, Russia and Israel had the most growth, while Brazil, Turkey, India and South Korea performed worse than in the previous year. The Italian domestic market continues to report a positive trend, initiated in 2015, although it is below expectations; it is driven mainly by the sunglass segment rather than eyeglass frames.

Global scenario and future trends

According to Taiyou Research, the global wholesale eyewear sector could have a compound annual growth rate (CAGR) of 5.8% from 2013 to 2020 on account of increased awareness worldwide of the dangers of UV exposure, the effect of multi-pairing (the consumer's willingness to buy more than one eyewear model), technological advances (greater market penetration of products with high added value, such as models with polarized lens), and greater penetration in emerging markets. The increase of CAGR for the wholesale eyeglass market from 2013 to 2020 is 3.4%, in line with the increase anticipated in the corrective lens market (3-4% average annually). The global eyeglass market is very competitive, with a limited number of global players and many small/medium-sized manufacturing companies owning minor brands. However, there is considered to be less competition in the premium/luxury segment. The 2013-2020 CAGR for mature markets is expected to be 2.8%, compared to 8.7% for emerging markets.

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[4] Freely adapted from ANFAO – *Associazione Nazionale Fabbricanti Articoli Ottici* (Italian Association of Eyewear Article Manufacturers) – and Taiyou Research

Introduction

Within the context described above, the sales of the Marcolin group grew by 1.6% (2.6% at constant exchange rates), whereas the Parent Company's sales grew by 13.3% (13.7% at constant exchange rates), exceeding the market rate.

2016 was influenced by the consolidation and positive effects of important investments made in previous years, especially in products and the brand portfolio, but also in the areas of distribution, organization and procurement pursuant to the completion of the Viva integration activities. The new factory in Fortogna (some 3,500 square meters), inaugurated in 2015, enabled to increase the production of "made in Italy" products.
Activities implemented to develop the license portfolio resulted in the announcement of the early renewal of the licensing agreement with Dsquared2 in May 2016 and a partnership agreement stipulated in July 2016 with Omega, the iconic Swiss watch manufacturer.
The first Moncler brand eyewear collection was launched in 2016 pursuant to the licensing agreement stipulated in the previous year.
Activities to develop new markets for which joint-venture agreements were stipulated in previous years (in China, Russia and Northern European countries) were continued during the year.

*****

Viva integration

Integration of the Viva group, which was acquired in 2013, was one of the most important projects carried out by the Group in recent years, and it concluded in substance at the end of 2015. Viva integration has turned the Marcolin group into a true global player by expanding its scale, geographical presence, brand portfolio and product range.

One of the last Viva integration activities completed in 2016 was the winding up of Viva Canada Inc. in December 2016, followed by the sale to third parties of the last asset owned, consisting of the company's administrative and business headquarters.

The integration made it possible to achieve synergies of euro 10 million that have been fully effective since 2015. The amount of synergies exceeded the initial estimates made at the beginning of the integration plan.

Upon conclusion of the integration process, the Group's logistical activities were centered at two large logistics hubs:

- the American hub, directed by Marcolin USA Eyewear, Corp. (sole legal entity, which focuses on distribution in North, Central and South American markets);
- the European hub, directed by Marcolin S.p.A., which addresses the European rim, Asia and the complementary and neighboring countries (in terms of both geography and business), including through direct affiliates and joint ventures.

In 2016, in order to streamline the integrated logistics and make them more efficient by using the existing logistics hubs, thereby improving the effectiveness and efficiency of the market response, the Group decided not to proceed with the development of the Asian logistics hub obtained with the acquisition of the Viva group.

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Products and licenses

Within the scope of its brand portfolio consolidation and development, the following activities were carried out in 2016 concerning licensed brands:

- In May 2016 Marcolin stipulated the early renewal until 2021 of the licensing agreement for the design, manufacturing and worldwide distribution of Dsquared2 eyeglass frames and sunglasses;
- In July 2016 Marcolin stipulated an exclusive business agreement for the creation of Omega sunglasses with this watch producer.

The Marcolin Group continued the activities to rationalize and optimize its product collections.

Moreover, in early 2016 the product area underwent an important organizational change whereby products are handled within the scope of the license area, putting an emphasis on the significance of harmonious, consistent management of the products in line with their respective licenses.

In general, a great effort was made to enhance the collections, expand the eyeglass frame segment and add new lines and new products. The design and product departments were directly involved with exceptional designing activities aimed to adapt the collections to more international (Asian-fitting) distribution, with stylish and exclusive designs while improving the capacity to produce new models and focusing on opportunities emerging from the availability of new, original materials.

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Sales activities

Sales activities aimed to strengthen relationships with the distribution network continued in 2016, with the objective of greater penetration into the markets sustaining the Group's growth.

In this respect, the Parent Company initiated an important project at the end of 2015, which was fully implemented in 2016, to rationalize the product offering for an assortment better targeted to market demands, while improving the efficiency of sample collection and inventory management.

In relation to the American market, during the year the sales team was reorganized mainly for the optical segment by strengthening the management and the sales agent network and resetting the marketing strategy in order to make up for, in 2017, the lower-than-expected results of 2016. The sales reorganization resulted in the departure of the American company's top management from the Group at the end of 2016.

Within the scope of the sales reorganization, the top management of the French affiliate also left at the end of 2016.

In order to implement the marketing strategies more effectively and efficiently, in January 2017 the Group decided to appoint a new Global General Sales Manager with extensive industry experience.

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Logistics and organizational activities

The Group's reorganization process continued in the logistical area as well. Investments continued to be made in resources and systems in the production and sales planning areas, strengthening the central supply chain management function in order to better handle the integrated logistics.
The objective was to achieve better allocation of resources by way of more careful and more rational demand planning, exploiting upstream and downstream synergies.

The 2016 has fully benefit from the actions concluded in 2015 to improve the internal efficiency and effectiveness in responding to the market and customer service, with positive effects on sales.

Production and logistics management also benefited in 2016 from the new factory in Longarone (located in the Fortogna district), inaugurated in May 2015. The new factory enabled to double the "made in Italy" production. The total investment in the new manufacturing facility was some euro 5 million, including the amount for the purchase of new plant and machinery and for the activities involved in transferring the acetate production from the historical Longarone factory to the new plant.
The new factory ensured considerable new production capacity to meet the demands arising from the influx of new brands in the brand portfolio and the structural expansion of some markets. Consistently with the Company's medium/long-term growth plans, the operation aims to create value by maximizing the opportunities offered by the development of the high-end collections that have always represented Marcolin's design concept.
Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include:

- reduced dependence on external suppliers, which will enable to shorten the manufacturing lead time, and thus increase the ability to seize market opportunities (and improve the time to market);
- made in/made out realignment according to the eyewear industry standards (and those of the main competitors);
- expansion of the capacity to produce more Italian-made products, which are increasingly perceived as having added value by the Italian and international clientele;
- as an essential condition for managing the inflation risk in the Chinese sourcing market, production insourcing will allow greater control of production factors, and not only in terms of cost-effectiveness.

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INCOME STATEMENT HIGHLIGHTS

These past years have been affected by many new projects and activities of consolidation, development and global reorganization at all levels. The extraordinary activities carried out had a significant impact on the results of the various years, including 2016, although to a lesser extent due to the completion of the Viva integration process at the end of 2015. This requires the results to be interpreted in the light of such extraordinary events.
As result of the extraordinary activities, the income statement results were adversely affected by some non-recurring items, which need to be highlighted.

For all the foregoing reasons, where significant, the main changes of the year are also reported herein by showing the impact of the extraordinary activities and thus of the non-recurring costs, also providing comparability, with the same consolidation perimeter, of the 2016 data with the 2015 data, by presenting "normalized" income for both years.

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The following table summarizes the Group's key performance indicators:

Year (euro/000.000)		Net revenues	YOY	EBITDA	% of net revenues	EBIT	% of net revenues	Net profit / (loss) for the year	% of net revenues	ROS	ROI	ROE
2010		205.7	14.0%	29.9	14.6%	24.9	12.1%	18.6	9.0%	12.1%	28.6%	23.7%
2011		224.1	9.0%	34.2	15.3%	28.9	12.9%	21.0	9.4%	12.9%	29.5%	22.2%
2012		214.0	(4.5)%	11.2	5.2%	11.0	5.1%	6.0	2.8%	5.1%	5.2%	3.8%
2013	*	212.3	(0.8)%	15.9	7.5%	10.0	4.7%	12.0	5.7%	4.7%	2.6%	5.6%
2013	**	346.3	61.8%	28.5	8.2%	19.2	5.6%	(8.6)	(2.5)%	5.6%	5.0%	(4.0)%
2014		362.1	4.6%	29.4	8.1%	19.9	5.5%	0.4	0.1%	5.5%	4.8%	0.2%
2015		434.8	20.1%	39.7	9.1%	28.1	6.5%	(2.5)	(0.6)%	6.5%	6.3%	(1.1)%
2016		441.9	1.6%	46.4	10.5%	31.5	7.1%	12.2	2.8%	7.1%	7.1%	5.1%

EBITDA: earnings before interest and taxation (EBIT), depreciation and amortization
EPS: Earnings per share = Net result/number of shares
ROS: Return on sales = EBIT/Net revenues
ROE: Return on equity = Net result/ Net Equity
* Viva consolidated 1 month
** Pro-forma (Viva consolidated 12 months)

The net revenues of 2016 were euro 441.9 million, compared to the euro 434.8 million of 2015.

EBITDA was euro 46.4 million, or 10.5% of net revenues (compared to the 2015 EBITDA of euro 39.7 million, corresponding to 9.1% of net revenues).
EBIT was euro 31.5 million, corresponding to 7.1% of net revenues (compared to the 2015 EBIT of euro 28.1 million, corresponding to 6.5% of net revenues).

The indicators show that the 2016 margins benefited from the completion of the most significant non-recurring, extraordinary transactions involving previous years. In 2016, the impact of non-recurring, extraordinary costs on EBITDA was euro 3.3 million, compared to the significantly higher euro 10.5 million of 2015.

In order to better understand the business performance, those effects, referring mainly to the following costs in 2016, should be eliminated:

- non-recurring costs of euro 0.7 million for discontinuing the Asian logistics hub;
- non-recurring costs of euro 2.5 million for the exit of some top managers from the Group.

Excluding the effects of the transactions described above, the 2016 normalized ("adjusted") EBITDA is euro 49.7 million (11.3% of net revenues), against the 2015 amount of euro 50.2 million (11.5% of net revenues).

Excluding such effects, the 2016 adjusted EBIT is euro 34.8 million (7.9% of net revenues), against the 2015 amount of euro 38.6 million (8.9% of net revenues).

The normalized (adjusted) key performance indicators, filtered of the effects of the non-recurring costs, are as follows.

Economic indicators- Adjusted	**2016**		**2015**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	49,736	11.3%	50,202	11.5%
Operating income - Ebit	34,782	7.9%	38,588	8.9%

NET REVENUES

The consolidated net revenues for the year ended December 31, 2016 is euro 441.9 million, compared to euro 434.8 million for 2015.
The euro 7.0 million year-on-year increase corresponds to an increase of 1.6%.
At constant exchange rates, the increase is 2.6%[5].

The Group continued to invest in brands and in its sales organization under a medium/long-term strategy, even in difficult markets, where it has decided to keep pace with demand in the short term instead of saturating customers with products, and to focus on credit quality.
2016 net revenues benefit from the consolidation of the actions undertaken for the existing licenses and the entrance of new brands (Omega, Moncler).

The net revenues obtained in 2016 by the Marcolin group reflect the sales growth in European markets (especially in Italy, Spain and Germany), where growth of 13.7% (euro 19.0 million) is reported year-on-year, and in some emerging markets, where the annual combined sales growth of Asia and the Rest of the World is euro 7.1 million, effectively compensating for the negative American result.

The following table sets forth the net revenues by geographical area.

Net Revenues by geographical area	**2016**		**2015**		**Change**	
(euro/000)	**euro**	**% of total**	**euro**	**% of total**	**euro**	**%**
Italy	*31,726*	*7.2%*	*26,555*	*6.1%*	*5,171*	*19.5%*
Rest of Europe	*125,857*	*28.5%*	*111,998*	*25.8%*	*13,859*	*12.4%*
Europe	157,583	35.7%	138,552	31.9%	19,031	13.7%
Americas	191,569	43.4%	210,736	48.5%	(19,167)	(9%)
Asia	38,465	8.7%	38,573	8.9%	(108)	(0.3%)
Rest of World	54,238	12.3%	46,980	10.8%	7,258	15.4%
Total	**441,855**	**100.0%**	**434,842**	**100.0%**	**7,013**	**1.6%**

[5] The December 31, 2016 exchange rates and average exchange rates for 2016 are described in the notes to the consolidated financial statements under "*Basis of consolidation*".

Europe generated growth of euro 19.0 million (13.7%), since it benefited from the positive effects of the reorganization carried out in previous years, although it is still influenced by fluctuating markets, with uneven trends and growth rates.
The sales performance was very positive for some geographic areas, particularly Italy, which reported double-digit growth of 19.5%; sales also rose in Spain (by 18.3%), Portugal (by 18.1%), Germany (by 14.1%), and France (by 7.9%).
Less favorable were the sales in the U.K. (down by 15.6%) and Russia (down by 4.1%), influenced in part by adverse exchange rates.
Europe accounted for 35.7% of the Group's total net revenues in 2016, up from the 31.9% of 2015.

Sales in America fell by euro 19.2 million from the previous year (9.1%, or 8.7% at constant exchange rates). As noted, the performance of this market was affected in part by the market trend, especially for the retail and department store channels, and in part by the sales force reorganization in the optical channel.

Despite the decline in consumer sales reported in the two core Asian markets, Korea and China (including Hong Kong), the sales in that area are practically in line with those of the previous year and account for 8.7% of the Group's sales.

In the Rest-of-World segment, sales rose by 15.4%, or euro 7.3 million, assisted by favorable market trends in the Mediterranean area and Africa, possible thanks to a rationalization of our distribution partners and closer collaboration with them.

*****

The consolidated income statement highlights are set forth below:

	2016		2015	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	441,855	100.0%	434,842	100.0%
Gross profit	255,744	57.9%	255,861	58.8%
Ebitda	46,429	10.5%	39,730	9.1%
Operating income - Ebit	31,475	7.1%	28,117	6.5%
Financial income and costs	(16,090)	(3.6)%	(20,548)	(4.7)%
(Loss)/Profit before taxes	15,385	3.5%	7,569	1.7%
Net (loss)/profit for the period	12,174	2.8%	(2,513)	(0.6)%

Economic indicators- Adjusted	2016		2015	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	49,736	11.3%	50,202	11.5%
Operating income - Ebit	34,782	7.9%	38,588	8.9%

As shown by the key performance indicators, gross profit is 57.9% of net revenues, down as a percentage of sales by 0.9% from the previous year (58.8% in 2015).
The decrease is attributable primarily to changes in sales mix in terms of markets and distribution channels, which present different gross margins. The decrease in gross profit is practically offset by lower marketing and distribution costs relating to the sales mix.

As noted, EBITDA is euro 46.4 million (10.5% of net revenues), compared to the euro 39.7 million of 2015 (9.1% of net revenues).
EBIT was euro 31.5 million, corresponding to 7.1% of net revenues (compared to the 2015 EBIT of euro 28.1 million, corresponding to 6.5% of net revenues).

As reported, the performance indicators are affected by non-recurring events for 2016 and even more so for 2015, so they have been normalized in order to provide margins that disregard the effects of the inconstant organizational and corporate rationalization activities.
The adjusted EBITDA is euro 49.7 million, compared to the euro 50.2 million of 2015, and represents 11.3% of net revenues (11.5% in 2015).
Adjusted EBIT is euro 34.8 million (7.9% of net revenues), compared to the euro 38.6 million of 2015 (8.9% of net revenues).

The net result for the year is a profit of euro 12.2 million, compared to a net loss of euro 2.5 million for 2015. This increase is the result of a euro 3.4 million increase in operating income, a euro 4.5 million decease in net finance costs (primarily attributable to better currency exchange results due to greater foreign currencies stability than in prior year and the appreciation of the Brazilian Real), and a euro 6.9 million decrease in taxes due to better tax optimization.

The 2016 net finance costs of euro 16.1 million were influenced by the following:

- interest payments of euro 17.0 million on the bond notes issued by Marcolin S.p.A., paid semiannually in May and November;
- reversal of bond issue costs, accounted for under IFRS with the financial method of amortized cost over the life of the bond notes;
- net interest costs on short-term and medium/long-term loans;
- financial discounts, nearly entirely attributable to the foreign subsidiaries.

The Group’s foreign currency exchange in 2016 was positive, resulting in a gain inclusive of both the realized and unrealized components.

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The income tax expense is euro 3.2 million, compared to euro 10.1 million for 2015.[6]

The Parent Company's current taxes amount to euro 1.4 million, consisting mainly of Marcolin S.p.A.'s IRAP (regional business tax) and IRES (corporate income tax) expense.
The foreign affiliates' contribution is a net cost of euro 3.1 million for current taxes.

The positive contribution of deferred taxes is also affected by the optimizations arising from the better operating results achieved by some companies of the Group.

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6 Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l., (both merged in Marcolin S.p.A. as at December 31, 2015) had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.
On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 et seq. of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Office of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for years 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new one for the three-year period.
From the current year to December 31, 2016, the tax consolidation regime allowed 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, for example by netting taxable income and tax losses within the tax group.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

The consolidated net financial position as at December 31, 2016 compared to the previous year is set forth below.

Net invested capital *(euro/000)*	**12/31/2016**	**12/31/2015**
Trade receivables	72.643	75.226
Inventories	126.914	120.214
Trade payables	(128.526)	(120.787)
Operating working capital	**71.031**	**74.653**
Other assets	13.067	15.392
Other liabilities	(35.958)	(38.667)
Net working capital	**48.140**	**51.379**
Non-current assets	36.415	37.356
Investments in subsidiaries and associates and other financial assets	907	1.775
Property, plant and equipment	25.513	27.258
Intangible assets	49.824	46.043
Goodwill	290.902	288.225
Fixed assets	**403.562**	**400.658**
Funds	(7.839)	(9.126)
Net invested capital	**443.863**	**442.911**
Current financial liabilities	51.697	58.226
Non-current financial liabilities	199.866	200.626
Gross financial indebtedness	**251.563**	**258.852**
Current financial assets and Cash and cash equivalents	(42.929)	(41.404)
Non-current financial assets	(3.797)	(4.461)
Net financial debt	**204.837**	**212.987**
Net equity	**239.026**	**229.923**

The net financial debt at the reporting date is set forth below against the corresponding data of 2015:

Net financial debt *(euro/000)*	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	42,230	40,382
Current and non-current financial assets	4,497	5,483
Current financial liabilities	(46,897)	(54,678)
Current portion of non-current financial liabilities	(4,800)	(3,548)
Non-current financial liabilities	(199,866)	(200,626)
Total net financial debt	**(204,837)**	**(212,988)**

The Group's net financial debt is euro 204.8 million, compared to the euro 213.0 million indebtedness of 2015, a reduction of euro 8.2 million.
As explained subsequently, the improvement is mainly the result of strategic activities aimed to improve the management of working capital.

In 2016, to sustain its growth, the Group obtained access to new financial credit lines.
Euro 25 million of the revolving credit facility was drawn, the same amount of 2015.
Besides net financial debt changed due to the reversal on Income Statement of Bond expenses accounted with amortized cost method.

The indebtedness was partially offset by a euro 1.8 million increase in cash holdings.

The debt-to-equity ratio at December 31, 2016 is 0.86 (0.93 in 2015).

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

Operating working capital *(euro/000)*	**12/31/2016**	**12/31/2015**
Inventories	126,914	120,214
Trade receivables	72,643	75,226
Trade payables	(128,526)	(120,787)
Total operating working capital	**71,031**	**74,653**

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

- the value of inventories rose by euro 6.7 million compared to the previous year, in part due to stock increase related to the expected sales increase and in part due to the improvement on inventory quality that allowed a reduction on the level of writedown;
- trade receivables fell from those of the previous year, as they were positively affected by measures taken by management to improve the average collection period, or "days sales outstanding" (DSO); indeed the DSO was reduced significantly by 9 days as of December 31, 2016 compared to the prior year;
- the balance of trade payables at the end of 2016 was affected by the procurement of the last quarter to support the significant sales that typically take place in the first quarter of the year and by year-end adjustments.

The working capital-to-sales ratio is 0.16, down from the 0.17 of the prior year, thanks to the above-described initiatives.

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Among the non-current assets, in line with the previous year, goodwill was euro 290.9 million (euro 186.2 million referring to the Parent Company, arising on the reverse merger with Cristallo S.p.A., and the remainder arising on the acquisition of Viva International). Since it is considered an asset with an infinite useful life, it is not amortized.

At December 31, 2015 the total amount was euro 288.2 million. The 2016 increase is totally attributable to translation differences emerging on the appreciation of the U.S. dollar.
The item was tested for impairment; the related assumptions and results are described in the Marcolin Group's notes to the consolidated financial statements.

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The Marcolin Group's net financial indebtedness was reduced by euro 8.2 million, and it was impacted by the following factors:

Net financial debt *(euro/000)*	**12/31/2016**
Adjusted EBITDA	**49.736**
Increase / (decrease) in net working capital	10.592
Other operative adjustments	(5.273)
Net cash from /(used in) operating activities	**55.055**
(Purchase) of property, plant and equipment	(3.816)
Proceeds from the sale of property, plant and equipment	782
(Purchase) of intangible assets	(19.656)
Net cash outflow on investments	948
Net cash from /(used in) investing activities	**(21.742)**
Interest paid	(21.855)
Free Cash Flow	**11.457**
Non-recurring items	(3.307)
Total change in net financial debt	**8.150**
Net financial debt as at December 31, 2015	**(212.988)**
Total change in net finance debt	8.150
Net financial debt as at December 31, 2016	**(204.837)**

The annual cash flow was affected by non-recurring costs of euro 3.3 million incurred in the year, as described in the comments regarding EBITDA.
Cash flows of euro 22.7 million were used for capital expenditures, including transaction fees paid to renegotiate and extend (or renew early) important licensing agreements.
Financing activities associated with the bond issue used cash flows of euro 17.0 million, equal to the interest calculated on this source of funds.

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The annual capital expenditures amounted to euro 22.7 million (euro 3.1 million for property, plant and equipment and euro 19.7 million for intangibles), compared to euro 22.0 million in 2015. The investments in tangible and intangible assets are described below:

Property, plant and equipment cash out *(euro/000)*	**12/31/2016**	**12/31/2015**
Land and buildings	161	3,320
Plant and machinery	1,145	1,151
Industrial equipement	1,116	1,234
Stand and commercial equipement	88	289
Hardware	998	501
Office forniture and furnishing	208	590
Other	100	69
Total	**3,816**	**7,154**

Intangible assets cash out *(euro/000)*	**12/31/2016**	**12/31/2015**
Software	2,966	3,840
Other	16,690	10,990
Total	**19,656**	**14,830**

The 2016 investments mainly regarded new plant, machinery and equipment for the Parent Company's manufacturing facilities. The previous year's considerable amount for land and buildings reflects the investment in the Parent Company's new manufacturing facility in the Fortogna district of Longarone.

The expenditure for other intangible assets refers to amounts paid to some licensors to renegotiate and extend (or early renew) important licensing agreements.

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Additional information and comments on the financial statement results are reported in the notes to the consolidated financial statements.

MARCOLIN S.P.A.
REPORT ON OPERATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2016

MARCOLIN S.P.A. REPORT ON OPERATIONS

As described in the section dedicated to the Marcolin Group, the Report on Operations of Marcolin S.p.A. provides information that excludes the impact of the non-recurring transactions, in order to provide comparability of the 2016 data with the 2015 data on the basis of the same consolidation perimeter, by presenting "normalized" income.

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INCOME STATEMENT HIGHLIGHTS

The following table sets forth Marcolin S.p.A.'s key performance indicators:

Year (euro/000.000)	Net Revenues	YOY	EBITDA	% of net revenues	EBIT	% of net revenues	Net (loss)/profit for the year	% of net revenues
2011	142.6	12.7%	27.4	19.2%	31.8	22.3%	24.1	16.9%
2012	128.0	(10.3)%	9.6	7.5%	6.2	4.9%	4.9	3.8%
2013	123.4	(3.6)%	8.1	6.6%	3.8	3.1%	(8.5)	(6.9)%
2014	150.4	21.9%	16.1	10.7%	10.5	7.0%	4.5	3.0%
2015	205.7	36.7%	17.3	8.4%	6.2	3.0%	(2.6)	(1.3)%
2016	233.0	13.3%	27.3	11.7%	15.3	6.6%	3.7	1.6%

In summary, the income statement presents:

- Net revenues of euro 233.0 million (euro 205.7 million in 2015);
- EBITDA of euro 27.3 million, corresponding to 11.7% of net revenues (euro 17.3 million in 2015, 8.4% of net revenues);
- EBIT of euro 15.3 million, corresponding to 6.6% of net revenues (euro 6.2 million in 2015, 3.0% of net revenues);
- A net profit of euro 3.7 million (compared to a net loss of euro 2.6 million for 2015);
- Net financial indebtedness of euro 122.6 million (compared to indebtedness of euro 143.0 million as at December 31, 2015);
- Equity of euro 214.0 million, against euro 210.3 million at the end of 2015.

The Parent Company reports 2016 net revenues up by 13.3% (an increase of euro 27.3 million), with satisfactory results across all geographical areas.
The net revenues growth was generated mainly by the sales in Europe (up by 23.6%), the Americas (up by 9.9%), the Rest of the World (up by 5.0%) and Asia, to a lesser extent (up by 0.8%).

As explained for the Group, in order to better understand the 2016 business performance of Marcolin S.p.A., certain non-recurring events that impacted the margins should be taken into account.

The normalized (adjusted) key performance indicators, filtered of the effects of the non-recurring costs, are as follows.

Economic indicators - Adjusted	2016		2015	
(euro/000)	euro	% of net revenues	euro	% of net revenues
Ebitda	28,360	12.2%	18,300	8.9%
Operating income - Ebit	16,343	7.0%	7,204	3.5%

In 2016 the non-recurring costs regarded *ad-personam* agreements referring to changes in top management positions totaling euro 1.1 million (euro 0.6 million in 2015). The non-recurring costs of 2015 also included euro 0.6 million for the Viva integration process, consisting of distribution and logistics costs incurred for the sales reorganization described in the Group Report on Operations, and costs for legal, administrative, tax and organizational services assisting such activities.

Excluding the effects of the non-recurring transactions, the 2016 adjusted EBITDA is euro 28.4 million, equal to 12.2% of net revenues (euro 18.3 million, 8.9% of net revenues in 2015), whereas the adjusted EBIT is euro 16.3 million, 7.0% of net revenues (euro 7.2 million and 3.5% of net revenues in 2015).

NET REVENUES

The 2016 net revenues were euro 233.0 million, compared to the euro 205.7 revenues of 2015, up by a substantial euro 27.3 million (13.3%) from the prior year.
At constant exchange rates, the year-on-year increase is 13.7%[7].

The Parent Company's net revenues from third parties is euro 103.3 million in 2016, compared to euro 109.1 million in 2015, with a decrease of euro 5.8 million or 5.3%.

The following table sets forth Marcolin S.p.A.'s net revenues by geographical segment:

Net Revenues by geographical area						
	2016		**2015**		**Change**	
(euro/000)	**euro**	**% of total**	**euro**	**% of total**	**euro**	**%**
Italy	*31,726*	*13.6%*	*26,929*	*13.1%*	*4,797*	*17.8%*
Rest of Europe	*75,625*	*32.5%*	*62,078*	*30.2%*	*13,547*	*21.8%*
Europe	107,351	46.1%	89,007	43.3%	18,343	20.6%
Americas	46,417	19.9%	43,586	21.2%	2,831	6.5%
Asia	26,650	11.4%	26,683	13.0%	(33)	(0.1)%
Rest of World	52,588	22.6%	46,383	22.6%	6,205	13.4%
Total	**233,006**	**100.0%**	**205,659**	**100.0%**	**27,347**	**13.3%**

The Company continued to invest in brands and in its sales organization under a medium-term strategy, even in difficult markets, where it has decided to keep pace with demand in the short term instead of saturating customers with products, and to focus on credit quality.
The Parent Company's performance benefited from the Marcolin/Viva integration process, particularly from the reorganization of the sales and logistical activities based on a rational design consistent with the Group's structure.

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Marcolin S.p.A.'s net revenue performance in 2016 reflects sales growth in nearly all the markets.

Although Europe was affected by its fluctuating markets, with very uneven trends and growth rates, it represented Marcolin's core market in terms of annual growth (with sales up by euro 18.3 million or 20.6%).
Some geographic areas performed very well: sales rose in Italy by 17.8%, in Germany by 36.4%, in the U.K. by 22.7%, in France by 13.3% and in Spain by 22.9%.
Europe accounted for 46.1% of the Company's total net revenues in 2016.

The Americas report year-on-year sales growth of euro 2.8 million (or 6.5%).
Marcolin S.p.A.'s sales to the Americas remained positive despite the negative trend in the American market, as described in the Group's consolidated financial statements, which reports a decline especially for the sales of diffusion brands, procured by the American affiliate mainly from external suppliers.

Sales in Asia (down by 0.1%) were substantially in line with those of the previous year, consistently with the trend in the Far East markets and despite declines in the two major markets, Korea and China (including Hong Kong). Sales to Asia account for 11.4% of Marcolin S.p.A.'s total sales.

[7] The December 31, 2016 exchange rates and average exchange rates for 2016 are described in the notes to the consolidated financial statements under "*Basis of consolidation*".

In the Rest-of-World segment, sales rose by 13.4% (euro 6.2 million), assisted by favorable market trends in the Mediterranean area and Africa, possible thanks to a rationalization of our distribution partners and closer collaboration with them.

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The Company's income statement highlights are reported hereunder.

EBITDA is euro 27.3 million (11.7% of net revenues), compared to the 2015 amount of euro 17.3 million (8.4% of net revenues); EBIT is euro 15.3 million, 6.6% of net revenues, compared to the euro 6.2 million for 2015 (3% of net revenues).

As noted, the significant improvement in earnings was influenced by non-recurring events taking place in the previous year and concluded in 2016, so the margins have been "normalized" in order to present the business performance without the non-recurring costs deriving from the organizational and corporate rationalization activities.

The adjusted EBITDA is euro 28.4 million, compared to the euro 18.3 million of 2015, and represents 12.2% of net revenues (8.9% in 2015).
Adjusted EBIT is euro 16.3 million (7% of net revenues), compared to the euro 7.2 million of 2015 (3.5% of net revenues).

Income statement	**2016**		**2015**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	233,006	100.0%	205,659	100.0%
Gross profit	94,882	40.7%	78,904	38.4%
Ebitda	27,304	11.7%	17,328	8.4%
Operating income - Ebit	15,286	6.6%	6,232	3.0%
Financial income and costs	(10,372)	(4.5)%	(3,142)	(1.5)%
(Loss)/Profit before taxes	4,914	2.1%	3,090	1.5%
Net (loss)/profit for the period	3,716	1.6%	(2,605)	(1.3)%

According to the key performance indicators, gross profit is 40.7% of net revenues, an improvement of 2.3% from 2015 (38.4%). The increased gross profit is mainly related to higher volumes and positive brand mix. The total increase is euro 16.0 million.

Product costs slightly increased during the period mainly due to a different production mix of *luxury* and *diffusion* brands and a higher manufacturing complexity for some products compared to previous year.

Operating income was a positive euro 15.3 million (6.6% of net revenues), compared to the euro 6.2 million of 2015 (3.0% of net revenues). The considerable improvement derives from the substantial completion, in the previous year, of reorganization and sales development activities that had incurred non-recurring costs.

The net finance costs were euro 10.4 million, compared to euro 3.1 million incurred in the previous year. The increase in finance costs is the result of the stability of the U.S. dollar in 2016 compared to 2015 that reduced the positive effect reported in previous years of the translation of the euro 125 million intercompany loan to Marcolin USA Eyewear Corp..

The net profit for the year is euro 3.7 million (1.6% of net revenues), compared to a net loss of euro 2.6 million for 2015.

The income tax expense [8]is euro -1.2 million, compared to euro -5.7 million for 2015.

The current taxes amount to euro -1.4 million, consisting mainly of Marcolin S.p.A.'s IRAP (regional business tax) and IRES (corporate income tax) expense.

The tax expense was positively affected by the adjustment of deferred taxes, which, benefiting from higher operating income, allowed a better tax optimization.

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8 Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l., (both merged in Marcolin S.p.A. as at December 31, 2015) had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 et seq. of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Office of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new one for the three-year period.

From the current year to December 31, 2016, the tax consolidation regime allowed 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, for example by netting taxable income and tax losses within the tax group.

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

The Parent Company's financial position as at December 31, 2016 is presented below in comparison with the corresponding results of the previous year:

Net invested capital *(euro/000)*	**12/31/2016**	**12/31/2015**
Trade receivables	68.860	90.148
Inventories	73.725	74.509
Trade payables	(109.384)	(114.103)
Operating working capital	**33.200**	**50.553**
Other assets	8.455	10.917
Other liabilities	(13.109)	(13.473)
Net working capital	**28.546**	**47.997**
Non-current assets	9.300	11.973
Investments in subsidiaries and associates and other financial assets	70.064	64.634
Property, plant and equipment	22.913	24.001
Intangible assets	26.111	24.252
Goodwill	186.227	186.227
Fixed assets	**314.615**	**311.086**
Funds	(6.597)	(5.840)
Net invested capital	**336.564**	**353.243**
Current financial liabilities	91.860	83.986
Non-current financial liabilities	203.122	201.189
Gross financial indebtedness	**294.982**	**285.175**
Current financial assets and Cash and cash equivalents	(50.186)	(23.070)
Non-current financial assets	(122.185)	(119.116)
Net financial debt	**122.611**	**142.989**
Net Equity	**213.953**	**210.254**

The net financial debt at December 31, 2016 is set forth below against the corresponding data of 2015:

Net financial debt *(euro/000)*	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	31,673	15,180
Current and non-current financial assets	140,697	127,006
Current financial liabilities	(87,060)	(80,437)
Current portion of non-current financial liabilities	(4,800)	(3,548)
Non-current financial liabilities	(203,122)	(201,189)
Total net financial debt	**(122,611)**	**(142,989)**

The Company's net financial debt is euro 122.6 million, compared to the euro 143.0 million indebtedness of 2015, with a decrease of euro 20.4 million.

In 2016, to sustain its growth, the Company obtained access to new financial credit lines of euro 5.5 million from major financial institutions.
The Revolving Credit Facility was drawn for euro 25 million, the same amount of previous year. During 2016, the line has been increased by a further euro 5 million, not used as at December 31, 2016, as planned and granted by the original agreement. Besides net financial debt changed due to the reversal on Income Statement of Bond expenses accounted with amortized cost method.

More information on the cash generated by operating activities is reported on the notes to the financial statements.

The debt-to-equity ratio at December 31, 2016 is 0.57 (compared to 0.68 at December 31, 2015).

Year *(euro/000.000)*	Net financial debt	Net equity	Leverage
2011	(13.6)	93.2	(0.15)
2012	(14.9)	92.0	(0.16)
2013	(102.1)	213.9	(0.48)
2014	(116.7)	213.1	(0.55)
2015	(143.0)	210.3	(0.68)
2016	(122.6)	214.0	(0.57)

The Leverage is the debt to equity ratio

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

Operating working capital *(euro/000)*	**12/31/2016**	**12/31/2015**
Inventories	73,725	74,509
Trade receivables	68,860	90,148
Trade payables	(109,384)	(114,103)
Total operating working capital	**33,200**	**50,553**

With respect to the various items that make up working capital:

- the value of inventories fell by euro 0.8 million from the previous year;
- trade receivables fell significantly from those of the previous year, as they were affected by measures taken by management to improve the average collection period, or "days sales outstanding" (DSO) with third-party customers and by more efficient management of financial accounts with Group companies;
- the balance of trade payables at the end of 2016 is fairly consistent with that of the prior year.

The working capital-to-sales ratio is 0.14 (down from the 0.25 ratio of 2015).

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Among the non-current assets, in line with the previous year, the Parent Company recognized goodwill of euro 186.2 million accounted for since the end of 2014 (arising on the reverse merger with Cristallo S.p.A.) as an asset with an indefinite useful life, and thus not amortized.

Goodwill was tested for impairment. The related assumptions and results are described in the notes to the separate financial statements of Marcolin S.p.A.

In 2015 goodwill was reduced by euro 3.5 million due to Marcolin S.p.A.'s transfer to Marcolin UK Ltd of the customer list and related distribution contracts with such parties in the Asia Pacific region, a value of euro 3.5 million. As consideration, Marcolin UK Ltd assigned and issued to Marcolin S.p.A. a number of shares corresponding to the British pound equivalent of the value of assets transferred.

The annual capital expenditures were not particularly significant, and regarded mainly the purchase of plant and equipment for the Longarone (Belluno) factory. The important expenditures for the new Italian manufacturing facility located in Fortogna were nearly entirely incurred in the previous year.
Investments in intangibles were made to adjust and rationalize the existing business software and to renew some licenses, as noted previously.

Between January 1, 2015 and December 31, 2015 the Company incurred costs for investments in new capital goods for which has obtained the tax credit provided by Decree-Law n. 91, Article 18 of June 24, 2014, converted with amendments into Law n. 116 of August 11, 2014, (known as the “competitiveness decree”), the amount of which will be reported in the tax return of fiscal year 2016.

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SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The performance of the companies affiliated with the Group is summarized hereunder.
The financial statement results of the subsidiaries as at December 31, 2016 compared to December 31, 2015 are reported in detail at the end of this document.

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Marcolin France Sas

Marcolin France Sas (located in Paris) is 76.9%-owned by Marcolin S.p.A. and 23.1%-owned by Marcolin International B.V. The company distributes Marcolin products in France, and in 2016 it produced net revenues of euro 34.9 million (euro 33.0 million in 2015).
It reports a net loss of euro 0.2 million for 2016 (net loss of euro 0.8 million for 2015).

In 2015 the company absorbed subsidiary Viva France Sas, a company of the Viva group which distributed Viva brand products in France. The transaction, part of the Viva integration process, had the objective of reducing and streamlining the structures and related costs of the French companies by integrating the two businesses into one organization under one management, in order to oversee the market more efficiently and effectively.

Marcolin Iberica S.A.

Marcolin Iberica S.A., located in Barcelona, is wholly owned by Marcolin S.p.A.
A distributor of Marcolin products in Spain and Andorra, in 2016 it produced net revenues of euro 13.6 million (euro 11.5 million in 2015), an increase of 18%.
It reports a net profit of euro 0.4 million for 2016 (net profit of euro 0.2 million for 2015).

Marcolin Portugal-Artigos de Optica Lda

Marcolin Portugal-Artigos de Optica Lda is based in Lisbon and is wholly owned by Marcolin S.p.A. In 2016 it produced net revenues of euro 2.9 million (euro 2.5 million in 2015).
It reports a net profit of euro 0.1 million for 2016 (the same as for 2015).

Marcolin Deutschland GmbH

Marcolin Deutschland Gmbh (wholly owned by Marcolin S.p.A.), Ludwigsburg, distributor for the German market, produced net revenues of euro 9.7 million in 2016 (euro 8.5 million in 2015).
It reports a net loss of euro 0.3 million for 2016 (net profit of euro 0.1 million for 2015).

Marcolin Schweiz GmbH

Marcolin Schweiz Gmbh (wholly owned by Marcolin S.p.A.), based in Fuellinsdorf, produced net revenues of euro 1.6 million (euro 2.0 million in 2015), mainly in Switzerland.
It broke even in 2016, as in 2015.

Marcolin Benelux Sprl

Marcolin Benelux Sprl (Faimes), wholly owned by Marcolin S.p.A., produced net revenues of euro 6.5 million in 2016 (euro 5.9 million in 2015) in Belgium, Luxembourg and the Netherlands.
It reports a net profit of euro 0.1 million for 2016 (the same as for 2015).

Marcolin (UK) Ltd

Marcolin U.K. Ltd, based in Thatcham, Berkshire, wholly owned by Marcolin S.p.A., produced net revenues of euro 12.6 million in 2016 (euro 13.4 million in 2015) in the United Kingdom and Ireland.

Since the previous year, pursuant to the integration of the Viva group, the subsidiary has benefited from the transfer of Viva Eyewear UK's business division for the domestic market, whereas the business division for the international market was transferred to Marcolin S.p.A. The latter "Asia Pacific Distribution" business division (distribution of Marcolin products in the Far East) was transferred to subsidiary Marcolin UK Ltd – Hong Kong Branch on January 1, 2015.
The company reported a net profit of euro 0.8 million for 2016 (net profit of euro 0.6 million for 2015).

Viva Eyewear UK Ltd

Viva Eyewear U.K. Ltd, which before the integration with Marcolin was the domestic and international distributor of Viva products, is wholly owned by Marcolin USA Eyewear, Corp. In September 2014 Marcolin S.p.A. and Marcolin UK Ltd took over its business divisions (international and domestic distribution, respectively). As a result of completing the aforementioned integration process, the company is no longer operational, but acts solely as a holding company for some Group companies.

Marcolin USA Eyewear Corp.

Marcolin USA Eyewear Corp., 89.90% owned by Marcolin S.p.A. and 10.10% owned by Marcolin International B.V., based in Somerville (New Jersey), is the Group's most important affiliate. The sales are conducted largely in the United States and Canada. It produced revenues of $ 202.7 million (euro 183.1 million) in 2016, compared to $ 207.8 million (euro 189.5 million) in 2015, a decrease of 2.5% from the previous year attributable prevalently to a decline in the sales of diffusion brands in department stores and optical stores. The company reported a net loss of euro 1.5 million for 2016 (net profit of euro 0.1 million for 2015).

Viva Canada Inc.

Viva Canada Inc., wholly owned by Marcolin USA Eyewear, Corp., was wound up in 2016 upon the conclusion of the process to discontinue this company by first transferring, in 2015, the Canadian sales and logistics business division to parent Marcolin USA Eyewear Corp., and then by selling, in 2016, the company's remaining asset, consisting of a building owned, to third parties. The company was removed from the Companies Register on December 23, 2016.

Marcolin Do Brasil Ltda

Marcolin Do Brasil Ltda, based in Barueri, 100%-owned by Marcolin S.p.A., produced net revenues of euro 9.0 million (euro 8.9 million in 2015) in the Brazilian market.
It reports a net profit of euro 0.2 million for 2016 (net loss of euro 6.4 million in 2015, affected by heavy unrealized foreign exchange losses due to the depreciation of the local currency against the euro).
It is recalled that on January 1, 2015 the company absorbed Viva Brasil Comercio Produtos Opticos Ltda pursuant to the Viva integration process.

Marcolin Asia HK Ltd

Marcolin Asia Ltd Hong Kong (wholly owned by Marcolin International B.V.), based in Hong Kong, produced no net revenues in 2016 (compared to euro 3.0 million in 2015) as a result of the transfer of its operating division to Marcolin UK Ltd - Hong Kong Branch on July 1, 2015. The transaction enabled to concentrate the sales activities in the Far East in the branch, for more efficient management of the market.
The subsidiary continues to provide sourcing services to the Group's affiliates in Asia.
It reports a net loss of euro 0.1 million for 2016 (net profit of euro 0.9 million for 2015).

Marcolin Technical Services Co. Ltd

This company, owned directly by Marcolin S.p.A. and based in Shenzhen, Guangdong Province, China, was founded in October 2015. 2016 is its first year of operation. It monitors the production of Chinese-manufactured products, performs quality control and checks production work in progress for the Group's companies (Marcolin S.p.A., Marcolin USA Eyewear Corp., and Marcolin UK Hong Kong

Branch).
It reports a net profit of euro 0.1 million for 2016.

Marcolin UK Ltd Hong Kong Branch and Viva Eyewear HK Ltd

In 2016 Marcolin UK Ltd Hong Kong Branch (branch of Marcolin UK Ltd) produced sales of euro 45.7 million (euro 28.6 million in 2015), and a net profit of euro 3.8 million (net profit of euro 2.5 million in 2015).
The company was set up in Hong Kong with the objective of combining the product distribution in the Far East.
The company, established in July 2014 through a transfer of Viva Eyewear HK Ltd's operating division, was the subject of a subsequent business transfer by Marcolin S.p.A., which continued to serve the Asian market directly until the end of 2014, when it transferred the entire Asia Pacific business to the new organization (through a business transfer effective January 1, 2015).
The considerable increase in sales from the prior year is attributable to the transfer of Marcolin Asia HK Ltd's operating division on July 1, 2015, so the previous year had only benefited from the transferred operations in the second half of the year.
Viva Eyewear HK Ltd, wholly owned by Viva Eyewear UK Ltd, is a pure holding company. It reports a net profit of euro 0.6 million for 2016 resulting from proceeds from the winding up of associate Viva Eyewear Australia Pty Ltd.

Eyestyle Trading (Shanghai) Co. Ltd

Eyestyle Trading (Shanghai) Co. Ltd (wholly owned by Marcolin S.p.A.) produced sales of euro 0.6 million in 2016 (euro 0.9 million in 2015) and a net profit of euro 0.2 million (euro 0.4 million in 2015).
The subsidiary, since February 2015, manage the importing and distribution activities for some brands in chinese boutiques.

Marcolin International B.V.

Marcolin International B.V. (Netherlands), wholly owned by Marcolin S.p.A., is a pure holding company. It reports a net profit of euro 5.3 million for 2016 as a result of dividend distribution by Marcolin Asia HK Ltd (loss of euro 0.1 million in 2015).

Marcolin-RUS LLC

The company, set up as a joint venture with Sover-M, an established, prestigious company operating in the eyewear business in Russia, is part of the Marcolin group's strategy to develop business in new markets. The company is the distributor of all Marcolin products in Russia. Marcolin S.p.A. owns 51% of Marcolin-RUS LLC.
The company produced net revenues of euro 4.8 million in 2016 (euro 5.1 million in 2015) and a net profit of euro 0.2 million, whereas it broke even in 2015.

Marcolin Nordic AB

In Europe, at the beginning of 2015 an affiliate was established in Frösundaviks (Stockholm), Sweden.
Marcolin Nordic began operating at the end of February 2015, and its mission is to manage closely and directly the Nordic market (Denmark, Finland, Norway, Iceland and Sweden) in order to distribute all brands in the Marcolin Group's portfolio there.
In the first half of 2015 its structure was provided with branches to operate in the main countries of interest in the area.
The company, along with its branches, produced net revenues of euro 6.2 million in 2016 (euro 3.5 million in 2015) and a net loss of euro 0.4 million (net loss of euro 1.3 million in 2015).

Ging Hong Lin International Co. Ltd and Shanghai Jinlin Optical Co. Ltd

In order to improve the management of direct distribution in mainland China, in the second half of 2014 a joint venture was set up with the Gin Hong Yu International Co. Ltd group, a well-known and respected business operating in the Chinese eyewear market.
The operations are managed by Shanghai Jinlin Optical Co. Ltd, a company based in Shanghai and wholly owned by Gin Hong Lin International Co. Ltd.
The Hong Kong company is 50%-owned directly by Marcolin S.p.A.
The joint venture produced net revenues of euro 5.5 million in 2016 (the same results of last year) and a net loss of euro 0.1 million (net profit of euro 0.5 million in 2015).

Viva Deutschland GmbH and subsidiaries

The company represents a joint venture formerly of the Viva group, before Viva's acquisition by the Marcolin group. The company, 50% owned by Viva UK Eyewear Ltd, operates together with its two subsidiaries, Viva Schweiz AG and Viva Eyewear Brillenvertriebs GmbH, under a product distribution agreement for the Guess and Gant brands stipulated in November 2014 and renewed in 2015 until December 31, 2017.
The joint venture produced net revenues of euro 1.6 million in 2015 (euro 2.7 million in 2016) and a net profit of euro 0.2 million (net profit of euro 0.3 million in 2015).

ASSOCIATES

Viva Eyewear Australia Pty Ltd

This company, a joint venture between Viva Eyewear HK Ltd (50%) and General Optical (distributor of optical products in the Australian market), was put into liquidation on February 5, 2015 and discontinued upon the completion of the liquidation process in the second half of 2016.

Viva Optique de Mexico SA de CV

The company is a joint venture between Marcolin USA Eyewear Corp. (50%) and a major distributor of optical products in the Mexican market. The company operates in Mexican territory and the only source of supply is Marcolin Group, primarily the American company Marcolin USA Eyewear Corp.. The company produced net revenues of euro 3.5 million in 2016 (euro 4.1 million in 2015) and a net profit of euro 0.4 million (net profit of euro 0.6 million in 2015).

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

Economic risks and competitive risks associated with the sectors in which the Group and the Company operate

The financial position and performance of the Marcolin group and Marcolin S.p.A. are influenced by macroeconomic factors of the various countries in which they operate. Economic recession has been present on an international level for the past few years, which has caused some major markets to contract, in some cases to record minimums. Recently, some economies have shown signs of significant improvement and have resumed growth; others are still in recession and continue to experience slow growth or even stagnation.
In this critical moment it is difficult to predict the size and duration of economic cycles and make forecasts of future demand in the various countries; it is certain that, at least in the near future, the economies of certain countries will continue to have slow growth.

Significant declines in consumer spending showing up across markets and product lines could impact the Group's and the Company's financial position and performance, although the diversification of our markets and the Marcolin product/brand portfolio strongly limits such risk considerably compared to companies that are more concentrated in certain markets or segments.
The balance achieved since 2014 by Marcolin with the Viva acquisition not only expands the possibilities to grow in markets having higher growth than Europe (particularly Viva's American markets, where much of the product is offered), it also accelerates the distribution channel diversification (balance between eyeglass frames and sunglasses, luxury and diffusion, men's and women's), thereby reducing the risk of potential contraction of sales volumes due to economic recession.

Other uncertain factors could create negative consequences for the Group's and the Company's performance, such as rising energy prices and/or fluctuating raw material prices, but in such circumstances the effects could be transferred to selling prices, eliminating or at least limiting the impact on performance and thus on self-financing capability.
If sales volumes and/or selling prices were to fall significantly, the Group and the Company are able to implement actions in the short term to contain their cost structures in order to minimize any adverse effects on financial position and performance.

The tough economies/financial situations of some markets may lead to greater risks regarding the collection of trade receivables, at least in the most troubled situations.
For this purpose, within the scope of its policy to manage risks regarding customer accounts, the Company has an internal credit management department headed by a designated manager, which takes every action to manage credit risk at the time of customer evaluation and at delivery, sending payment notices for delinquent accounts and monitoring new accounts, risky accounts, and sales credit and payment extensions granted, in collaboration of the sales functions.

Cash flow risk

At the end of 2013 the Parent Company's financial structure changed significantly due to the transactions described herein.
The bond issue of November 2013 completely changed Marcolin's funding activities, which had been through the ordinary financial market, i.e. short-term and medium/long-term loans with major banks, often with bilateral agreements.
The bond issue refinanced the existing debt, providing the Group and the Company with conditions of relative stability at least until the notes mature, initially planned at the end of 2019.
The transaction involved a super senior revolving credit facility to be used to manage the timing mismatch between receipts and payments, and cash requirements for normal operating activities such as those involving ordinary investments.

The credit facility, a total of euro 30 million (including euro 5 million undrawn as of December 31, 2016), is considered adequate to support the Group's and the Company's ordinary funding requirements.
On December 31, 2016 additional undrawn credit facilities totaling some euro 7 million were present at major banks, consisting of revolving credit available for short-term cash flow requirements.
Moreover, in 2016 the Parent Company had access to new bank loans and alternative funding sources, such as leasing, factoring and reverse factoring, to support investments in new projects and manage working capital.
Although significant, sudden reductions of sales volumes could have negative effects on the ability to generate cash flow from its operating activities, in the current circumstances the Group and the Company expect to maintain an adequate capacity to generate cash flows though operating activities.
The Marcolin group plans to meet its cash requirements for repayment of its financial debts due and for the approved budget by using cash flows from operating activities (annual self-financing), cash and bank balances, use of the aforementioned revolving credit facility, use of credit lines currently available, and funding through leasing, factoring and reverse factoring.

Currency and interest rate risks

The Marcolin Group and Marcolin S.p.A. operate in various markets throughout the world and thus are exposed to market risks connected with fluctuations of foreign exchange rates and interest rates.
Exposure to currency risk arises from the different geographic locations of its manufacturing and commercial activities. The Group and the Company are primarily exposed to fluctuations of the U.S. dollar on supplies received from Asia and on sales conducted in U.S. dollars, and to a lesser extent to fluctuations of the Brazilian real, British pound sterling and Hong Kong dollar.

Currency risk consists of the risk on transactions in currencies other than the euro (transaction risk) and the risk on the translation of financial statements prepared in currencies other than the euro (translation risk).

Transaction risk is generated by sales and costs incurred in currencies other than the euro, mainly the U.S. dollar for sales and sourcing of goods from Asian suppliers. Although fluctuations of foreign exchange rates could affect the Group's profit or loss, we believe that the structure of revenues and expenses in foreign currency enable to maintain a natural hedge against the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of costs in foreign currency.
In the past, the Group used currency hedges (foreign exchange forward contracts), which were no longer stipulated in 2016 due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

Translation risk arises because some consolidated revenues and expenses originate from Group companies whose functional currency differs from the euro. In the preparation of the Group's consolidated financial statements, assets and liabilities are translated at the exchange rates in force at the reporting date, and revenues and expenses at the average exchange rates for the reporting period. This results in changes in the foreign currency translation reserve, a component of the consolidated equity. The main companies of the Group whose functional currency differs from the euro are Marcolin USA Eyewear Corp., Marcolin UK Ltd (included the HK Branch) and Marcolin do Brasil Ltda.

With respect to interest rate risk, the Marcolin Group uses types of financing mainly with fixed interest rates, the bond notes in particular (which have a fixed interest rate of 8.50%).
Therefore, changes in market interest rates should not significantly affect current borrowing costs.

Additional information concerning the risks and hedging instruments used by the Group is provided in the notes to the financial statements.

Licensing risks

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

The Company has signed long-term licensing agreements that enable it to produce and distribute eyeglass frames and sunglasses under trademarks owned by third parties. If in the long-term the Group and the Company were unable to maintain or renew their licensing agreements at market conditions, or if they were unable to stipulate new licensing agreements for other successful labels, the growth prospects and operating results of the Marcolin group and Marcolin S.p.A. could be negatively impacted.

For this reason the Group and the Company work constantly toward renewing existing licenses and procuring new licenses in order to maintain their long-term prospects.
In 2016 these activities produced positive results, as described in the Group Report on Operations. Many initiatives were carried out successfully in terms of extending license durations and acquiring new, prestigious licenses.

Moreover, all licensing agreements require payment of annual minimum guaranteed royalties (the "guaranteed minimum") to the licensor, even if the sales should fall below certain thresholds, with possible negative effects on the Group's financial position and performance.
The Group and the Company monitor these situations closely in order to safeguard the business performance when overheads are not adequately absorbed by net revenues.
In 2016, some initiatives to revise the minimum guaranteed royalties due over the term of the licensing agreement were successfully implemented.

Supplier risks

The Group and the Company use contract manufacturers and third-party suppliers to manufacture and/or process some of their products.
The use of contract manufacturers and third-party suppliers involves additional risks, such as cancellation and/or termination of contracts, poor quality in the supplies and services provided and delivery delays.
Delays or defects of products supplied by third parties, or the cancellation or termination of supplier contracts without having adequate alternative sourcing available, could have a negative impact on the Group's business operations, financial position and performance.
Contract manufacturers and third-party suppliers, located mainly in Italy and Asia, are submitted to continuous controls by the responsible functions to verify compliance with quality and service standards, including those relating to delivery timing and methods, and fair prices with respect to the target margins.
The Group and the Company manage this risk by constantly monitoring the sourcing markets, also in order to identify alternative manufacturers and suppliers in case of temporary or structural difficulties with the current suppliers.
With respect to procurement, the Group monitors directly with certain subsidiaries the performance of the Asian suppliers, from a quantitative and qualitative point of view (quality, reliability and service), in light of the particular social and economic dynamics characterizing that sourcing market.
Another factor that mitigates supplier risk is the new factory in Longarone (in the Fortogna district), inaugurated in 2015, which has enabled to double the production of Italian manufactured goods, thereby reducing the dependence on external supplies.
Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include reduced dependence on external suppliers (both Italian and Asian), which enable to shorten the manufacturing lead time and thus increase the ability to seize market opportunities (and improve the time to market), and the possibility to manage the inflation risk regarding the Chinese sourcing market, as production insourcing will result in greater control of production factors.

OTHER INFORMATION

Human resources

Marcolin considers the value of human resources to be a critical success factor. Training and personnel enhancement constitute an investment for the business consolidation and development of the Group.

The 2016 was characterized by leadership development journey that allowed to share and strengthen the awareness of the companies values through activation of SuccessFactors system. This permit the development of the following activities:

- Employee Central: it permits to put people at the center of the process and make it more easily accessible information;
- Performance: the evaluation system MES (Marcolin Evaluation System) enables people to be leaders during the annual review process. The objective of the MES is to evaluate the qualitative ability of the individual and to reveal any training gaps in various areas (such as: technical field, linguistics, computer and managerial) to be able to set development plans to meet the specific needs. In addition, MES allows to schedule a 1:1 meeting with managers, that allow to create a better communication;
- Goal & Performance: the MES system becomes a process based on shared objectives between managers and their staff;
- Jam: it permits to connect people and allow them to share information with a more effective internal communication.

These new activities will be definitely implemented in all Group subsidiaries (Employee Central Estero project) for a multi-country integrated management system.

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On December 31, 2016, the Group had 1,713 employees (1,709 at the end of 2015), as presented below. The table presents the employees in service as at December 31, 2016, excluding independent agents who work exclusively for the Group and the Company.

Employees	**Final number**	
Category	**12/31/2016**	**12/31/2015**
Managers	53	63
Staff	916	931
Manual workers	744	715
Total	**1,713**	**1,709**

On December 31, 2016, Marcolin S.p.A. had 838 employees (820 in 2015) in the following categories:

Employees	**Final number**	
Category	**12/31/2016**	**12/31/2015**
Managers	13	15
Staff	292	275
Manual workers	533	530
Total	**838**	**820**

The data includes the temporary workers employed to meet the demand peaks. As noted, the increase is attributable mainly to the staff increase at the manufacturing and distribution divisions in Longarone.

Italian and second-level collective bargaining agreement

The Italian collective bargaining agreement was renewed during the year 2016. The company agreement, expired on December 31, 2016, is under negotiation with workers representatives. The focus is still directed to the improve work-life balance and the possibility of introduction of a health insurance policy for all employees.

Employee welfare and assistance to families

After a survey launched in 2015, on 2016 started a Company Welfare Program with the aim of improving the activities to support families and to make welfare programs even more accessible and fluid. For 2016, the Company Welfare Program included a budget of euro 400 for each employee to be used through a web portal where every employee could choose between different services such as, for example, medical reimbursements, services related to education, sports, health elderly/children, shopping vouchers and other benefits. These services ("Flexible Benefit") were used during three specific periods of the year.

One of the targets for the year 2017 will be to permit the utilisation of the web portal all over the year, allowing employees to join the services throughout the year.
During November 2016 the project "Smart Work Smart Life" has been activated, for a period of 12 months, which will provide in 2017, the testing of some actions to better manage the work-life balance for Marcolin employees. Three specitic services have been activated to achieve this goal: the Matilda service, the organization of tour inside the company for employees' children and Car Pooling service.

The Matilda service, launched in November 2016, provides the possibility to make use of an assistant in the company that collects the requests of the employees and help them from some concrete tasks such as laundry services, bill payments and other services of employees cars.

The days in the company with mom and dad will permit to create a moment dedicated to the family. Children will join the parents workplace through games and laboratory activities.

The Car Pooling service will permit to create make a group network to reduce transport costs and facilitate travels.

In addition to the projects described above, the "Smart Work Smart Life" project will also include the Smart Working service that will allow employees to work from home, in some specific and agreed days.

Research and development

The Company continued with its research and development activities in 2016.

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

In 2010, the research, development and innovation project "Industria 2015" - New Technologies for Made in Italy, from the District to the Production Line was launched: Eyewear and industrial

innovation, Objective B Area, Project Number MI00153. The purpose of the project was to create a platform for supply chain integration that operates on the technical and operational aspects of the companies, which should encourage the competitive and technological development of Italian eyewear business systems. The platform should enable marketing and supply chain events to be communicated quickly to the entire production process, and any critical issues leading to changes in supply chain planning to be made visible rapidly to all interested parties. The platform will also create interactive communications between the various parties in the supply chain.
Under Ministry of Economic Development decree n. 00098MI01 dated December 21, 2013, expenses of euro 13,747,949 and total facilities of euro 4,247,627 were granted. Marcolin S.p.A.'s investment is euro 849,686.49 with a total contribution to expenses of euro 182,790.90, as budgeted.
During the year 2016, the Company received a portion of the total contribution for an amount of euro 25,108.85

Optional tax incentive regime for income deriving from the use of intellectual property

In the previous year the Company filed an application with the Italian Revenue Agency for the assessment of tax benefits available under the Ministerial decree of July 30, 2015 regarding the optional tax incentive regime for income deriving from the use of intellectual property, patents, trademarks, industrial designs and models as well as processes, formulas and trade secrets obtained in legally protected industrial, business or scientific fields.
In 2016 the Company filed a supplementary brief for the same purpose, but had not yet received a response from the respective authorities as of the date of this Report.

Related party transactions

Related party transactions, including intra-Group transactions, cannot be defined as either atypical or unusual, as they are part of the Group companies' normal business activities.
Such transactions take place on an arm's length basis, taking into account the nature of the goods and services supplied.
Detailed information on related party transactions is provided in the notes to the consolidated financial statements and in the notes to the separate financial statements of Marcolin S.p.A.

Treasury shares

On December 31, 2012, Marcolin S.p.A. owned 681,000 treasury shares, for a nominal value of euro 354,120 (the carrying amount, entered at purchase cost, was euro 947 thousand), representing 1.1% of Marcolin S.p.A.'s share capital.
At the Extraordinary General Meeting of October 31, 2013, with the vote of the sole Shareholder representing all shares with voting rights, a resolution was passed that canceled all treasury shares owned by the Company, transferring the nominal value directly to the sole Shareholder, eliminating the nominal value of the Company's shares in accordance with Italian Civil Code Article 2346, paragraphs 2 and 3, and changing the By-Laws accordingly.
No other Group company owns shares of Marcolin S.p.A.

Personal data protection

Pursuant to Legislative Decree 196/03, known as the "Personal Data Protection Code," activities were implemented to evaluate the data protection systems of the Group companies subject to such legislation.
The activities found substantial compliance with the legislative requirements for the protection of the personal data processed by such companies, including the preparation of the Security Planning Document, which is constantly updated.

Branches

Marcolin S.p.A. operates from its headquarters in Longarone and with qualified contract manufacturers.

The operational premises are as follows:

- its headquarters in Longarone (Belluno), in zona industriale Villanova n. 4 (registered office, executive offices and operations);
- a logistics center and warehouse in Longarone (Belluno), in zona industriale Villanova n. 20 H;
- the new manufacturing facility in Longarone (Belluno), via Fortogna 184/C (Fortogna district);
- a showroom and representative office in Milan, in corso Venezia, n. 36;
- the former Finitec premises in zona industriale Villanova S.N. (not operational);
- non-operational premises in Via Noai, 31, Vallesella district of Domegge di Cadore (Belluno).

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SUBSEQUENT EVENTS

NOTICE OF CALLING TO

GENERAL MEETING

PROPOSED RESOLUTION

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

Refinancing of Marcolin Group debt

In January and February 2017 Marcolin began a process to refinance its existing debt as of 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 (shall be subject to a *floor* of zero%) 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.

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 Marmolada 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.

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

Signing of 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., 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.

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

Settlement agreement with HVHC Group, former owner of Viva Group

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 Marmolada S.p.A. and 3Cime 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 pay other amounts to settle all HVHC Inc.'s claims with Marcolin Group companies for a total amount of US$ 27 million. 3Cime received the amount for the Vendor Loan Note repayment by way of a dividend payment by Marcolin S.p.A. to parent Marmolada S.p.A.

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

Additional strategic objectives

For Marcolin, after years of repositioning, reorganization and especially development activities, 2017 will be 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.

Milan; March 9, 2017

for the Board of Directors

C.E.O
Giovanni Zoppas

NOTICE OF CALLING TO GENERAL MEETING

The Marcolin S.p.A. Shareholders are hereby called to the General Meeting to be held in Milan, corso Venezia n. 36 on April 20, 2017 at 09:30 a.m. at a first calling, and April 28 2017, same place and same time, at a second calling, to discuss and resolve upon the following

Agenda

- Approval of Annual Financial Statements for the year ended December 31, 2016, Board of Directors' Report, Board of Statutory Auditors' Report, Independent Auditors' Report;
- Presentation of the Marcolin group's Consolidated Financial Statements for the year ended December 31, 2016 and related Reports;
- Resolutions thereon.

Shareholders satisfying the legal conditions and complying with the requirements set out in Italian Civil Code Article 2370 at least two business days before the date of the meeting are entitled to attend the General Meeting.

The General Meeting may be attended through electronic means of communication enabling participation in discussions and equal information for all attendees, in accordance with Article 12.3 of the Corporate By-Laws currently in effect.

Milan; March 9, 2017

for the Board of Directors

the Chairman
Vittorio Levi

PROPOSED RESOLUTION

Shareholders,

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

Therefore, we request the Company's sole Shareholder, Marmolada S.p.A., to approve the proposed Financial Statements for the year ended December 31, 2016.

We also propose to allocate the net profit of euro 3,715,706 as follows:

- euro 185,785 to the Legal Reserve;
- carry forward the remaining amount.

Milan; March 9, 2017

for the Board of Directors

the Chairman
Vittorio Levi

CONSOLIDATED FINANCIAL STATEMENTS
OF THE MARCOLIN GROUP
FOR THE YEAR ENDED DECEMBER 31, 2016

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Notes	12/31/2016	12/31/2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	25,513	27,258
Intangible assets	2	49,824	46,043
Goodwill	2	290,902	288,225
Investments in subsidiaries and associate	3	907	1,775
Deferred tax assets	4	35,950	36,793
Other non-current assets	5	465	563
Non-current financial assets	6	3,797	4,461
Total non-current assets		**407,360**	**405,119**
CURRENT ASSETS			
Inventories	7	126,914	120,214
Trade receivables	8	72,643	75,226
Other current assets	9	13,067	15,392
Current financial assets	10	699	1,022
Cash and cash equivalents	11	42,230	40,382
Total current assets		**255,553**	**252,236**
TOTAL ASSETS		**662,912**	**657,355**
EQUITY	12		
Share capital		32,312	32,312
Additional paid-in capital		151,994	151,994
Legal reserve		4,077	4,077
Other reserves		55,871	59,017
Retained earnings (losses)		(19,447)	(16,903)
Profit (loss) for the period		12,167	(2,543)
Group equity		**236,975**	**227,955**
Non controlling interests		2,052	1,969
TOTAL EQUITY		**239,027**	**229,924**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	13	199,866	200,626
Non-current funds	14	7,487	8,703
Deferred tax liabilities	4	7,602	10,379
Other non-current liabilities	15	86	5,758
Total non-current liabilities		**215,040**	**225,465**
CURRENT LIABILITIES			
Trade payables	16	128,526	120,787
Current financial liabilities	17	51,697	58,226
Current funds	18	352	423
Tax liabilities	28	6,484	4,375
Other current liabilities	19	21,787	18,156
Total current liabilities		**208,846**	**201,967**
TOTAL LIABILITIES		**423,886**	**427,431**
TOTAL LIABILITIES AND EQUITY		**662,912**	**657,355**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	2016	%	2015	%
Net revenues	21	441,855	100.0%	434,842	100.0%
Cost of sales	22	(186,111)	(42.1)%	(178,981)	(41.2)%
GROSS PROFIT		**255,744**	**57.9%**	**255,861**	**58.8%**
Distribution and marketing expenses	23	(195,545)	(44.3)%	(199,598)	(45.9)%
General and administrative expenses	24	(30,673)	(6.9)%	(32,013)	(7.4)%
Other operating income/(expenses)	26	1,948	0.4%	3,867	0.9%
OPERATING INCOME – EBIT		**31,475**	**7.1%**	**28,117**	**6.5%**
Financial income	27	18,500	4.2%	20,347	4.7%
Financial costs	27	(34,590)	(7.8)%	(40,895)	(9.4)%
PROFIT (LOSS) BEFORE TAXES		**15,385**	**3.5%**	**7,569**	**1.7%**
Income tax expense	28	(3,211)	(0.7)%	(10,082)	(2.3)%
NET PROFIT (LOSS) FOR THE PERIOD		**12,174**	**2.8%**	**(2,513)**	**(0.6)%**
Profit (loss) attributable to:					
- owners of the parent		12,167	2.8%	(2,543)	(0.6)%
- non-controlling interests		7	0.0%	30	0.0%

(euro/000)	2016	2015
NET PROFIT (LOSS) FOR THE PERIOD	**12,174**	**(2,513)**
Other items that will be not subsequently reclassified to profit or loss:		
Effect (actuarial gain/losses) on defined benefit plans, net of taxes	(17)	103
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(17)**	**103**
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(3,615)	8,271
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(3,615)**	**8,271**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THEPERIOD	**8,542**	**5,861**
Profit (loss) attributable to:		
- owners of the parent	8,309	5,905
- non-controlling interests	233	(44)

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, 2014	**32,312**	**151,994**	**3,853**	**46,108**	**4,454**	**-**	**(114)**	**(17,086)**	**407**	**221,927**	**886**	**222,813**
Allocation of 2014 profit	-	-	224	-	-	-	-	183	(407)	-	-	-
Change in consolidation perimeter	-	-	-	-		(93)	-	-	-	*(93)*	1,091	**998**
Other movements	-	-	-	-	-	216	-	-	-	*216*	36	**252**
- Period result	-	-	-	-	-	-	-	-	*(2,543)*	*(2,543)*	*30*	***(2,513)***
- Other components of comprehensive income	-	-	-	-	*8,345*	-	*103*	-	-	*8,448*	*(74)*	***8,374***
Total comprehensive income	**-**	**-**	**-**	**-**	**8,345**	**-**	**103**	**-**	**(2,543)**	**5,905**	**(44)**	**5,861**
December 31, 2015	**32,312**	**151,994**	**4,077**	**46,108**	**12,799**	**123**	**(12)**	**(16,903)**	**(2,543)**	**227,954**	**1,969**	**229,924**
Allocation of 2015 loss	-	-	-	-	-	-	-	(2,543)	2,543	-	-	-
Variazione area di consolidamento	-	-	-	-			-	-	-	-	(151)	**(151)**
Other movements	-	-	-	-	-	712	-	-	-	*712*	-	**712**
- Period result	-	-	-	-	-	-	-	-	*12,167*	*12,167*	*7*	***12,174***
- Other components of comprehensive income	-	-	-	-	*(3,841)*	-	*(17)*	-	-	*(3,858)*	*226*	***(3,632)***
Total comprehensive income	**-**	**-**	**-**	**-**	**(3,841)**	**-**	**(17)**	**-**	**12,167**	**8,309**	**233**	**8,542**
December 31, 2016	**32,312**	**151,994**	**4,077**	**46,108**	**8,958**	**834**	**(29)**	**(19,447)**	**12,167**	**236,975**	**2,052**	**239,027**

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	Notes	2016	2015
OPERATING ACTIVITIES			
Profit (loss) for the period		*12,174*	*(2,513)*
Depreciation and amortization	1.2	13,146	10,954
Provisions	14.18	(7,557)	4,044
Income tax expense	28	3,211	10,082
Accrued interest expense	27	16,090	20,548
Adjustments to other non-cash items		(443)	(5,347)
Cash generated by operations		*36,621*	*37,768*
(Increase)/decrease in trade receivables	8	5,402	(7,068)
(Increase)/decrease in inventories	7	1,342	(18,932)
(Decrease)/increase in trade payables	16	3,842	20,063
Cash generated by change in operating working capital		*10,586*	*(5,937)*
(Increase) decrease in other assets	5, 9	1,977	(2,159)
(Decrease)/increase in other liabilities	15.19	3,285	5,016
(Use) of current and non-current provisions	14.18	(2,156)	(2,884)
(Decrease)/increase in current tax liabilities	28	(1,668)	(3,742)
Adjustments to other non-cash items		(137)	(4,723)
Income taxes paid		(1,138)	1,277
Interest received		686	640
Interest paid		(19,546)	(19,683)
Total cash generated by change in other items of net working capital		*(18,697)*	*(26,258)*
Net cash from /(used in) net working capital		*(8,111)*	*(32,195)*
Net cash from /(used in) operating activities		**28,509**	**5,574**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	1	(3,816)	(7,153)
Proceeds from the sale of property, plant and equipment	1	782	68
(Investments) in intangible assets	2	(19,656)	(14,830)
Net cash inflow on investements	3	948	-
Net cash from /(used in) investing activities		**(21,742)**	**(21,914)**
FINANCING ACTIVITIES			
Loans granted			
- (Increase)		-	-
- Decrease	6, 10	984	2,015
Net increase (decrease) in bank borrowings	13.17	(5,646)	(2,629)
Loans taken out	13.17		
- New loans		5,500	74,046
- (Repayments)		(5,611)	(55,784)
Capital increase	Mov. PN	-	1,005
Dividends paid to minority shareholders of subsidiaries not 100%	Mov. PN	(149)	(188)
Net cash from /(used in) financing activities		**(4,922)**	**18,465**
Net increase/(decrease) in cash and cash equivalents		**1,845**	**2,124**
Effect of foreign exchange rate changes		2	1,325
Cash and cash equivalents at beginning of year		**40,382**	**36,933**
Cash and cash equivalents at end of year		**42,230**	**40,382**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

The Parent Company's share capital is euro 32,312,475.00, fully paid-in, comprised of [9]61,458,375 ordinary shares, without par value. The share capital is wholly owned by the sole shareholder, Marmolada S.p.A., a single-member company based in Milan.

Marcolin shares have normal dividend rights and they continue to be encumbered by pledges. At the end of 2013, Marcolin issued bond notes, secured by collateral for the same amount of the obligations assumed with the bondholders, including a pledge over the shares of the Issuer, Marcolin, representing 100% of share capital.

As described in the Report on Operations under "Subsequent Events and Business Outlook", 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 shall be subject to a floor of zero% plus a 4.125% spread. Pursuant to the new bond issue, the previous bond notes backed by the aforementioned collateral were redeemed. The new bond issue involves other collateral, including a pledge over Marcolin S.p.A. shares, on the basis of the same pledge for the previous bond issue.

No changes occurred during the years ended December 31, 2015 and 2016 that changed the composition of share capital, which therefore is in line with the composition reported at December 31, 2015.

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9 Resulting from the 2013 restructuring reported in the 2013 Annual Report.

General Information

The explanatory notes set out below form an integral part of the annual Consolidated Financial Statements of the Marcolin Group and were prepared in accordance with the accounting documents updated to December 31, 2016.

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

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

The consolidated financial statements for the year ended December 31, 2016 include the financial statements of the Parent Company, Marcolin S.p.A., and those of its subsidiaries and well as the Group's interests in jointly controlled entities and in associates.

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

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

The addresses of the locations from which the Parent Company's main operations are performed are listed in the Report on Operations. The addresses of the subsidiaries and associates are as follows.

Company	Headquarters	Adress
Marcolin Asia HK Ltd	Hong Kong	Units 2207-11, Tower I, Level 22 - Metroplaza, 223 Hing Fong Road - Kwai Fong, N.T.
Marcolin Benelux Sprl	Faimes, Benelux	Rue al Cadorette, 2 - 4317
Marcolin do Brasil Ltda	Barueri - SP, Brasil	Av Tamboré, 1180 - 06460-000
Marcolin Deutschland Gmbh	Ludwigsburg, Germany	Monreposstrasse, 55
Marcolin France Sas	Parigi, France	45, rue Saint Sébastien - 75011
Marcolin GmbH	Fullinsdorf, Switzerland	Rheinstrasse, 26 - 4414
Marcolin Iberica SA	Barcellona, Spagna	Juan De Austria, 116 - 4a Planta - 08018
Marcolin International BV	Amsterdam, Netherlands	Herikerbergweg 238
Marcolin Portugal Lda	Lisbona, Portogallo	Rua Jose Travassos, 15/B 1600-410
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	Unit 313, no.555 Anyuan Road, Jingan District
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	4018 Jin Tian Road, Fitian District
Marcolin UK Ltd	Newbury, UK	Building 107 - New Greenham Park-RG19 6HN
Marcolin USA Eyewear Corp.	Somerville, Usa	Route 22 west, 3140 - 08876 NJ
Viva Eyewear Hong Kong Ltd	New Territories, Hong Kong	Workshop A-E, 8th Floor, Block 1, Kwai Tak Industrial Centre, Nos. 15-33 Kwai Tak Street, Kwai Chung
Viva Eyewear UK Ltd	North Yorkshire, UK	1-2 Milner Court, Hornbeam Square South, Hornbeam Business Park, Harrogate, North Yorkshire, HG2 8NB
Joint Ventures		
Viva Optique de Mexico SA de CV	Edo, Mexico	Boulevard Toluca No. 128, Col. San Andres Atoto, C.P. 53500, Naucalpan, Edo
Viva Deutschland Gmbh	Schwaebisch Gmund, Germany	Oderstrasse 2, Schwaebisch Gmund
Viva Eyewear Brillenvertriebs Gmbh	Voklabruck, Austria	Teichstrasse 12, 4863 Seewalchen
Viva Schweiz AG	Wallis, Switzerland	Route d´Anchettes 6, 3973 Venthône
Marcolin-RUS LLC	Moscow, Russia	Building 1, 8 Bolshoy Chudov Pereulok
Gin Hong Lin Intenational Co Ltd	Hong Kong	Ocean Centre 609, Harbour City 5, Canton Road Tst Kowloon
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	Shanghai Jinlin Optical Co Ltd
Marcolin Nordic AB	Solna, Stockholm	Frosundavisk Alle 1, 169 70 Solna

Presentation currency

These financial statements are presented in the Parent Company's presentation currency (Euro).
For the sake of a clear understanding of these consolidated financial statements, the amounts in the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and explanatory notes are presented in thousands of Euros. As a result of

presenting the amounts in thousands of Euros, immaterial differences in the totals may emerge due to rounding off.

Italian tax consolidation

Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l. (both of which were merged through absorption directly into Marcolin S.p.A. on December 1, 2015), had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 et seq of December 22, 1986, the ultimate parent company, 3 Cime S.p.A., notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.

Until December 31, 2016, the tax consolidation regime enabled each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.
Tax consolidation transactions are summarized below:

- in years with taxable income, the subsidiaries pay 3 Cime S.p.A. the additional tax due to the tax authorities;
- the consolidated companies with negative taxable income receive from 3 Cime S.p.A. a payment corresponding to 100% of the tax savings realized, accounted for on an accruals basis;
- the payment is made only at the time of actual use by 3 Cime S.p.A. for itself and/or for other Group companies;
- if 3 Cime S.p.A. and the subsidiaries do not renew the tax consolidation option, or if the requirements for continuance of tax consolidation should fail to be met before the end of the three-year period in which the option is exercised, tax loss carryforwards resulting from the tax return are split up proportionally among the companies that produced them.

Issuance

The financial statements were authorized for issue by the Board of Directors on March 9 , 2017.

ACCOUNTING STANDARDS

Basis of preparation

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

The accounting policies adopted to prepare the consolidated financial statements for the year ended December 31, 2016 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2016

Application of the following new IFRS standards and/or standards revised by the International Accounting Standards Board (IASB) and IFRIC interpretations became mandatory in 2016.

Description	Approval Date	Effective date of the standard
Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations)	*November 2015*	*January 1, 2016*
Amendments to IAS 16 and IAS 41: Bearer Plants	*November 2015*	*January 1, 2016*
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	*December 2015*	*January 1, 2016*
Amendments to IAS 1 (Presentation of Financial Statements) – Disclosure Initiative	*December 2015*	*January 1, 2016*
Amendments to IAS 27: Equity Method in Separate Financial Statements	*December 2015*	*January 1, 2016*
Annual Improvements to IFRSs 2012–2014 Cycle	*December 2015*	*January 1, 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	*September 2016*	*January 1, 2016*

The adoption of the accounting standards, amendments and interpretations listed in the table above did not have any material effects on the Marcolin group's financial position or performance.

New accounting standards and interpretations approved by the European Union and effective for periods after December 31, 2016

On September 22, 2016 the European Union issued Regulation n. 2016/1905 approving IFRS 15 (Revenue from contracts with customers). The standard will be effective for annual periods beginning on or after January 1, 2018. The Group is evaluating the impact of the new standard on the consolidated financial statements.

On November 22, 2016 the European Union issued Regulation n. 2016/2067 approving IFRS 9 (Financial Instruments). The standard will be effective for annual periods beginning on or after January 1, 2018. The Group is evaluating the impact of the new standard on the consolidated financial statements.

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

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

Description	Effective date of the standard
IFRS 16 Leases)	*January 1, 2019*
Amendments to IAS 12 (Income taxes) – Recognition of Deferred Tax Assets for Unrealized Losses	*January 1, 2017*
Amendments to IAS 7 (Cash flow statement) – Disclosure	*January 1, 2017*
Amendments to IFRS 10 (Consolidated Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture	to be defined

Clarifications to IFRS 15 (Revenue from contracts with customers)	*January 1, 2018*
Amendments to IFRS 2 (Classification and measurement of share-based payment transactions)	*January 1, 2018*
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	*January 1, 2018*
Annual Improvements to IFRS 2014-2016 Cycle	*January 1, 2018*
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	*January 1, 2018*
Amendments to IAS 40: Transfers of Investment Property	*January 1, 2018*

No accounting standards and/or interpretations mandatorily effective for annual periods beginning after December 31, 2016 were adopted earlier.

The Marcolin group is evaluating the effects of the application of the above new standards, which currently are not considered to cause an impact.

Financial statement format

The consolidated financial statements consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and the related explanatory Notes.
In order to provide a better comparability, in some circumstances previous period data was reclassified. For instance, as at December 31, 2016, the provision for returns has been reclassified from Current Provision to Trade Receivables, so the same reclassification has been made in the comparative figures as at December 31, 2015.

The Company and the Group prepared the financial statements on the basis of the following accounting policies.

Statement of Financial Position

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

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

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

Income Statement

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

Statement of Changes in Equity

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

Statement of Cash Flows

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

Basis of consolidation

The scope of consolidation includes direct and indirect subsidiaries.

Below is a list of the companies consolidated on a line-by-line basis and, for the sake of comprehensive disclosure, a list of the companies accounted for using the equity method.

A summary of the 2016 reclassified financial statements of the subsidiaries (Income Statement and Statement of Financial Position), in comparison with the corresponding results of the previous year, is provided at the end of this Annual Report.

List of Subsidiaries and Associates

Company	Currency	Share capital	Equity	Net profit / (loss) for the period	Consolidation method	% ownership	
						Direct	Indirect
Marcolin Asia HK Ltd	HKD	1,539,785	8,251,294	(1,128,249)	Integrale		100.00%
Marcolin Benelux Sprl	EUR	280,000	600,273	57,379	Integrale	100.00%	
Marcolin do Brasil Ltda	BRL	9,575,240	10,610,522	918,484	Integrale	100.00%	
Marcolin Deutschland Gmbh	EUR	4,650,000	1,164,376	(321,726)	Integrale	100.00%	
Marcolin France Sas	EUR	1,054,452	2,044,486	(158,987)	Integrale	76.89%	23.11%
Marcolin GmbH	CHF	200,000	253,830	10,027	Integrale	100.00%	
Marcolin Iberica SA	EUR	487,481	3,911,019	406,126	Integrale	100.00%	
Marcolin International BV	EUR	18,151	3,837,797	5,256,870	Integrale	100.00%	
Marcolin Portugal Lda	EUR	420,000	128,245	71,136	Integrale	100.00%	
Eyestyle Trading (Shanghai) Co Ltd	CNY	3,001,396	5,386,184	1,289,836	Integrale	100.00%	
Marcolin Technical Services (Shenzhen) Co. Ltd	CNY	1,000,000	1,694,813	862,080	Integrale	100.00%	
Marcolin UK Ltd	GBP	3,572,718	12,341,282	3,771,825	Integrale	100.00%	
Marcolin USA Eyewear Corp.	USD	121,472,262	73,620,471	(1,621,157)	Integrale		100.00%
Viva Eyewear Hong Kong Ltd	HKD	100	4,820,751	4,819,417	Integrale		100.00%
Viva Eyewear UK Ltd	GBP	-	28,872,445	7,349,314	Integrale		100.00%
Joint Ventures							
Viva Optique de Mexico SA de CV	MXN	3,694,685	39,515,470	7,084,682	Patrimonio Netto		50.00%
Viva Deutschland Gmbh	EUR	25,000	138,583	113,583	Integrale		50.00%
Viva Eyewear Brillenvertriebs Gmbh	EUR	35,000	56,534	21,534	Integrale		50.00%
Viva Schweiz AG	CHF	100,000	235,305	85,275	Integrale		50.00%
Marcolin-RUS LLC	RUB	305,520	155,872,124	15,903,336	Integrale	51.00%	
Gin Hong Lin Intenational Co Ltd	HKD	16,962,203	16,980,998	1,471,642	Integrale	50.00%	
Shanghai Ginlin Optics Co Ltd	CNY	14,354,200	16,759,249	(2,345,268)	Integrale		50.00%
Marcolin Nordic AB	SEK	50,000	(16,508,729)	(4,047,666)	Integrale	70.00%	

The changes in the scope of consolidation since December 31, 2015 are as follows:

- Viva Canada Inc. is no longer consolidated due to the completion of its liquidation process on December 23, 2016;
- Viva Australia Pty Ltd is no longer consolidated due to the completion of its liquidation process in the second half of 2016.

Basis of consolidation

The consolidation method adopted is as follows:

- the equity method is used to consolidate the companies in which the Group has more than 20% ownership ("associates") or over which the Group has significant influence even in another way; due to the use of the equity method, the carrying amount of the investee is aligned with the equity adjusted, as necessary to reflect the adoption of the IFRS approved by the European Commission and, includes the recognition of any goodwill identified at the time of the acquisition. The interest in the profits/losses realized by the associate after the acquisition date is recognized in the income statement, whereas the interest in changes in reserves after the acquisition date is recognized in the equity reserves. If the Group's interest in the losses of an associate is equal to or in excess of its interest in the associate itself, taking into account all unsecured receivables, the value of the associate is written off and the Group does not recognize additional losses with respect to those attributable to it except and to the extent that the Group is required to answer for them. Unrealized profits and losses on transactions with associates are eliminated on the basis of the Group's interest therein;
- companies are consolidated on a line-by-line basis when the Group exercises control over them ("subsidiaries") by virtue of direct or indirect ownership of the majority of shares with voting rights or by exercise of dominant influence expressed by the power to govern, whether directly or indirectly, the company's financial and operating policies, obtaining the related benefits regardless of any equity ownership. Any potential voting rights exercisable at the reporting date are considered for the purpose of determining control. Subsidiaries are consolidated from the date on which control is gained and are deconsolidated on the date from which such control ceases;
- the financial statements of the subsidiaries, associates and joint ventures are incorporated using the accounting policies of the Parent Company; consolidation adjustments are made as necessary to create consistency between items influenced by the application of different accounting policies;
- on consolidation, balances and transactions between consolidated subsidiaries are eliminated in full, i.e. receivables and payables outstanding at the end of the period, expenses and income, finance costs and financial income. Significant profits and losses realized between fully consolidated subsidiaries are also eliminated in full;
- significant profits included in products in stock originating from intercompany transactions are eliminated;
- any non-controlling interests in equity or net profit/(loss) are stated separately as non-controlling interests under the consolidated equity;
- dividends distributed by fully consolidated companies are eliminated from the income statement, which incorporates the net profits or losses realized by such companies;
- financial statements presented in a different functional currency from that of the Parent Company are translated into euros by applying the current exchange rates in force on the reporting date to assets and liabilities, and the average exchange rates for the reporting period to revenues, costs, income and expenses. The related currency exchange differences are recognized in the changes in equity. [10]

The following table lists the exchange rates used for translation:

[10] *Translation of foreign-currency financial statements*
Financial statements presented in a different functional currency are translated into euros in accordance with IAS/IFRS as follows:

- assets and liabilities are translated at the current exchange rates in force on the reporting date;
- revenues, costs, income and expenses are translated at the average exchange rate for the reporting period, considered to be a reasonable approximation of the actual exchange rates of the dates of the transactions;
- currency exchange differences arising from translation of opening equity and the annual changes in equity are recognized in the "foreign currency translation reserve" under "other reserves".

Currency	Symbol	Closing exchange rate			Average exchange rate		
		12/31/2016	12/31/2015	*Change*	2016	2015	*Change*
Australian Dollar	AUD	1.460	1.490	(2.0)%	1.488	1.478	0.7%
Brasilian Real	BRL	3.431	4.312	(20.4)%	3.856	3.700	4.2%
Canadian Dollar	CAD	1.419	1.512	(6.1)%	1.466	1.419	3.3%
Swiss Franc	CHF	1.074	1.084	(0.9)%	1.090	1.068	2.1%
Remimbi	CNY	7.320	7.061	3.7%	7.352	6.973	5.4%
Danish Krone	DKK	7.434	7.463	(0.4)%	7.445	7.459	(0.2)%
English Pound	GBP	0.856	0.734	16.7%	0.819	0.726	12.9%
Hong Kong Dollar	HKD	8.175	8.438	(3.1)%	8.592	8.601	(0.1)%
Japanese Yen	JPY	123.400	131.070	(5.9)%	120.197	134.314	(10.5)%
Mexican Pesos	MXN	21.772	18.915	15.1%	20.667	17.616	17.3%
Norwegian krone	NOK	9.086	9.603	(5.4)%	9.291	8.950	3.8%
Russian Rublo	RUB	64.300	80.674	(20.3)%	74.145	68.072	8.9%
Swedish Krone	SEK	9.553	9.190	4.0%	9.469	9.353	1.2%
USA Dollar	USD	1.054	1.089	(3.2)%	1.107	1.110	(0.3)%

Business combinations

The Group's business combinations are accounted for with the acquisition method in accordance with IFRS 3, "Business Combinations”.
The cost of an acquisition is the fair value, at the control transfer date, of assets acquired, liabilities assumed, and equity instruments issued in exchange for the control of the acquired entity.
Based on the acquisition method, the cost of the business combination is allocated to the identifiable acquired net assets, at the acquisition date, through the fair value measurement of the assets acquired and liabilities and contingent liabilities assumed, and goodwill is recognized to the extent of the excess of the business combination cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the initial accounting for a business combination can be determined only provisionally, adjustments to the values initially attributed are made within twelve months of the acquisition date. Non-controlling interests are recognized at the fair value of the net acquired assets.
When a business combination is achieved in stages with subsequent share purchases, each stage is measured separately based on the cost and fair value of the assets, liabilities and contingent liabilities at each transaction date to determine the amount of any difference.
If a subsequent acquisition enables to obtain control of an entity, the previously owned interest is restated based on the fair value of identifiable assets, liabilities and contingent liabilities, determined at the date on which control was obtained.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted to prepare the consolidated financial statements are described hereunder:

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

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.
Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.
Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalizing them.
Assets held under finance leases are recognized as tangible assets against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.
Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

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

Category	Depreciation Rate
Buildings	3%
Non-operating machinery	10%
Depreciable equipment	40%
Operating machinery	15.5%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Vehicles	25%
Trucks	20%

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

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

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

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

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

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

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

Financial derivatives
Derivative financial instruments are used by the Group solely for hedging purposes, in order to reduce Companies' exposure to currency risks.
All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.
If the hedge is effective, the following accounting policies apply:

Fair value hedge – If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss;
Cash flow hedge – If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the cumulative gain or loss that has remained recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has remained recognized in equity is immediately recognized in the income statement.
If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

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

Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

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

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

All assets and liabilities for which fair value is measured or stated in the financial statements are categorized into the following levels of the fair value hierarchy:

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

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

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

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

Financial assets – Loans and receivables
Trade receivables, current loan receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method. Financial assets without fixed maturities are stated at cost. Receivables maturing after more than a year that do not accrue interest or that accrue interest at below-market rates are discounted using market rates and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.
Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Group will not be able to collect the receivable at its original value.

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

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

Equity

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

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

Employee benefits
Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.

Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.
The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs).
Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with Revised IAS 19, effective from January 1, 2013.

On January 1, 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by June 30, 2007, how to allocate his or her accruing benefits. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case the company will pay the severance pay contributions into a treasury account held at the INPS).
Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from June 30, 2007, are considered a defined contribution plan, so the accounting treatment is similar to that in effect for all other contribution payments.

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

Trade payables and other non-financial liabilities
Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

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

Revenues and income
Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.
The Group recognizes net revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement.
The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.

Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of the goods and supply of the services.
Revenues from services are recognized by reference to the state of completion of the transaction at the end of the reporting period.
Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.
Dividends are recognized when the shareholder's rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

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

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

Other costs
The costs are recognized according to the relevance and matching principles.

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

Translation of foreign currency amounts
Transactions in currency other than the Euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realized in the period are recognized in the income statement.
Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

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

FINANCIAL RISK FACTORS

Financial risks

Financial risk management is an integral part of the Marcolin Group's activities and is performed centrally by the Parent Company based on strategies to cover specific areas, i.e. through hedges of foreign exchange risks and risks deriving from fluctuations of interest rates.
The Group seeks to minimize the impact of such risks on its results, and in previous years some hedging instruments were used.
Although the derivatives were designated exclusively to hedge against the risk of exchange rate variability on purchases from suppliers in U.S. dollars, they do not qualify for hedge accounting because they do not fully met the strict requirements, including formal ones, of the applicable accounting standard.
The foreign exchange forward contracts were no longer stipulated in 2016 due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

Currency risk

The Marcolin Group and Marcolin S.p.A. operate in various markets throughout the world and thus are exposed to market risks connected with fluctuations of foreign exchange rates and interest rates.
Exposure to currency risk arises from the different geographic locations of its manufacturing and commercial activities. The Group and the Company are primarily exposed to fluctuations of the U.S. dollar on supplies received from Asia and on sales conducted in U.S. dollars, and to a lesser extent to fluctuations of the Brazilian real, British pound sterling and Hong Kong dollar.

Currency risk consists of the risk on transactions in currencies other than the euro (transaction risk) and the risk on the translation of financial statements prepared in currencies other than the euro (translation risk).

Transaction risk is generated by sales and costs incurred in currencies other than the euro, mainly the U.S. dollar regarding sales and sourcing of goods from Asian suppliers. Although fluctuations of foreign exchange rates could affect the Group's profit or loss, we believe that the structure of revenues and expenses in foreign currency enable to maintain a natural hedge against the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of costs in foreign currency.
In the past, the Group used currency hedges (foreign exchange forward contracts), which were no longer stipulated in 2016 due to the natural hedge from which the Group benefits as a result of the current structure of revenues and expenses in foreign currency.

Translation risk arises because some consolidated revenues and expenses originate from Group companies whose functional currency differs from the euro. In the preparation of the Group's consolidated financial statements, assets and liabilities are translated at the exchange rates in force at the reporting date, and revenues and expenses at the average exchange rates for the reporting period. This results in changes in the foreign currency translation reserve, a component of the consolidated equity. The main companies of the Group whose functional currency differs from the euro are Marcolin USA Eyewear Corp., Marcolin UK Ltd and Marcolin do Brasil Ltda.

With respect to transaction risk, according to the sensitivity analysis performed, a change in exchange rates should not significantly impact the Group's consolidated financial statements, thanks to the previously described situation.

With respect to translation risk, according to the sensitivity analysis performed, a 5% appreciation of the U.S. dollar as at December 31, 2016 would result in a euro 2.0 million increase in the translation reserve, whereas a 5% depreciation of the U.S. dollar as at December 31 would result in a euro 1.8 million decrease in the translation reserve.

Interest rate risk

As a result of the fixed-rate euro 200 million bond issue subscribed in November 2013, the Group's debt structure changed significantly, and the Group now has low interest rate risk.
The section on liquidity risk provides a quantitative analysis of the Group's exposure to cash flow risk relating to interest rates on loans.
Information on outstanding loans is provided subsequently in these notes.

Interest rate sensitivity analysis

Interest rate sensitivity analysis was performed, assuming a 25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2016. In this manner, the Group determined the impact that such changes would have on income and on equity.
The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.
The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.
For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.
According to the sensitivity analysis performed on the basis of the above criteria, the Group is exposed to interest rate risk on its expected cash flows. If interest rates should rise by 25 basis points, income would decrease by euro 133 thousand due to higher interest expense with banks and third parties with respect to the increase in financial income on bank accounts.
If interest rates should fall by 10 basis points, income would increase by euro 53 thousand.

Credit risk

The Group has no significant concentration of credit risk. Receivables are recognized net of writedowns for risk of counterparty default, calculated based on available information regarding the customer's solvency and any useful statistical records.
Guidelines have been implemented for managing customer credit, supervised by the designated business function (Credit Management), to ensure that sales are conducted only with reasonably reliable and solvent parties, and through the setting of differentiated credit exposure ceilings.

Receivables and other current assets are set forth below by the main areas in which the Group operates in order to evaluate country risk (the table not considered the provision for returns, classified within trade receivables).

Trade receivables by geographical area and other current assets *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	21,557	28,815
Rest of Europe	18,454	17,636
North America	18,006	24,972
Rest of World	33,702	29,085
Total	**91,718**	**100,507**

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available to meet working capital requirements by means of adequate credit lines.
Due to the dynamic nature of its business, the Group has always preferred the flexibility of obtaining funding through the use of credit lines. As noted in the Report on Operations, since 2013 the Parent

Company has had a revolving credit facility of nominal euro 25 million, increased by euro 5 million during the year, available for short-term cash flow requirements.
At present, based on its available sources of funding and credit facilities, the Group considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the capital expenditures planned. See also the paragraph “Subsequent events and business outlook”.
The types of credit lines available and the base rate on the reference date are reported herein.

Liquidity analysis

Liquidity analysis was performed on loans and trade payables. Principal repayments and non-discounted interest were specified by time brackets. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.
None of the cash flows included in the table were discounted.
The table also considers the financial position of the Group existing as at December 31, 2016, no considering the changes in the Group's indebtedness during the first months of 2017 as described in paragraph “Subsequent events and business outlook”.

(euro/000)	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
Loans and bonds (excluding capital lease)	51,285	196,698	-	-
Interest expense on loans and bonds	17,230	34,080	-	-
Capital lease	412	628	87	-
Trade payables	128,526	-	-	-

Fair value measurement of loans

For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the measurement date, and the latest Euribor fixing was used to calculate the current coupon.
The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

Borrowings-maturity *(euro/000)*	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Credit lines used	8,669	-	-	-	**8,669**
Loans	39,612	4,226	-	-	**43,838**
Other financiers	3,416	195,553	87	-	**199,057**
12/31/2016	**51,697**	**199,779**	**87**	**-**	**251,563**

USE OF ESTIMATES

The preparation of consolidated financial statements requires making estimates that could affect the carrying value of some assets, liabilities, income and expenses, and disclosures concerning contingent assets and liabilities at the reporting date.
Estimates were used mainly to determine the recoverability of intangible assets (included Goodwill), the useful lives of tangible assets, the recoverability of receivables (including deferred tax assets), the valuation of inventories and the recognition or measurement of provisions.
The estimates and assumptions are based on data that reflect currently available information.
The estimates and assumptions that involve a significant risk of changes in the carrying values of assets and liabilities are described hereunder.

Goodwill

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

Impairment of non-current assets

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

Provision for doubtful debts

The provision for doubtful debts reflects management’s estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

Provision for inventory impairment

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

Deferred tax assets

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

ANALYSIS OF CONSOLIDATED FINANCIAL POSITION

Comments and the most significant changes in the items compared to the consolidated financial statements for the year ended December 31, 2016 are described hereunder (the amounts are in thousands of euros, unless specified otherwise).

BUSINESS COMBINATIONS

No acquisitions or business combinations took place in 2016.

1. PROPERTY, PLANT, AND EQUIPMENT

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

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Net value at beginning of 2015	**14,141**	**5,114**	**1,552**	**3,225**	**625**	**24,657**
Increases	2,117	3,398	1,516	1,166	336	**8,532**
Decreases	(1,227)	(0)	-	(50)	(18)	**(1,295)**
Depreciation	(1,038)	(1,312)	(1,248)	(1,313)	-	**(4,911)**
Translation difference	120	-	65	34	1	**221**
Reclassification	430	-	357	137	(871)	**54**
Net value at end of 2015	**14,543**	**7,199**	**2,242**	**3,200**	**73**	**27,258**
Net value at beginning of 2016	**14,543**	**7,199**	**2,242**	**3,200**	**73**	**27,258**
Increases	161	877	1,116	1,294	119	**3,567**
Decreases	(388)	(11)	(1)	(97)	(13)	**(510)**
Depreciation	(901)	(1,517)	(1,347)	(1,148)	-	**(4,913)**
Translation difference	28	-	15	88	-	**131**
Reclassification	10	16	(5)	(24)	(16)	**(19)**
Net value at end of 2016	**13,453**	**6,564**	**2,019**	**3,314**	**163**	**25,513**

The Group's 2016 capital expenditures totaled euro 3.567 million and regarded mainly the following investments:

- an increase of euro 161 thousand regard factory buildings, referring primarily to construction work done on some buildings owned;
- plant and machinery purchases of euro 877 thousand refer to industrial plant and machinery purchased by the Parent Company to renew production lines;
- equipment purchases of euro 1.116 million refer mainly to the Parent Company;
- other purchases totaling euro 1.294 million consist of computer hardware for euro 998 thousand and office furniture for euro 208 thousand;
- an ocreases of euro 119 thousand regard assets under construction and advances.

Depreciation is euro 4.913 million and consists of:

- euro 3.051 million recognized in the components of cost of sales;
- euro 894 thousand recognized in distribution and marketing expenses;
- euro 968 thousand recognized in general and administration expenses.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2016 are shown in the following table:

Property, plant and equipment (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under construction	Total
Undepreciated value	25,364	22,442	17,251	11,800	163	77,019
Accumulated depreciation	(11,911)	(15,878)	(15,232)	(8,485)	-	(51,506)
Net value	**13,453**	**6,564**	**2,019**	**3,314**	**163**	**25,513**

The table related previous year is shown below:

Property, plant and equipement (euro/000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other PP & E	Assets under contrstruction	Total
Undepreciated value	25,536	21,576	16,081	11,027	73	74,294
Accumulated depreciation	(10,993)	(14,377)	(13,839)	(7,827)	-	(47,036)
Net Value	**14,543**	**7,199**	**2,242**	**3,200**	**73**	**27,258**

2. INTANGIBLE ASSETS AND GOODWILL

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

Intangible assets and goodwill	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Net value at beginning of 2015	**6,807**	**12,180**	**18,015**	**210**	**37,213**	**278,010**
Increases	2,966	-	4,346	6,067	**13,380**	-
Decreases	-	-	-	-	**-**	-
Amortization	(2,179)	(287)	(3,576)	-	**(6,043)**	-
Translation difference	530	676	274	7	**1,487**	10,215
Reclassification and other movements	167	(125)	51	(88)	**6**	-
Net value at end of 2015	**8,292**	**12,444**	**19,110**	**6,196**	**46,043**	**288,225**
Net value at beginning of 2016	**8,292**	**12,444**	**19,110**	**6,196**	**46,043**	**288,225**
Increases	2,484	-	2,802	6,165	**11,451**	-
Decreases	-	-		-	**-**	-
Amortization	(2,340)	(1,712)	(4,181)	-	**(8,233)**	-
Translation difference	154	162	150	97	**564**	2,677
Reclassification and other movements	154	(1)	380	(534)	**0**	-
Net value at end of 2016	**8,745**	**10,893**	**18,261**	**11,924**	**49,824**	**290,902**

The annual increase of euro 11.451 million is attributable mainly to euro 2.484 million for software, euro 1.890 million of which refers to the Parent Company and euro 576 thousand to Marcolin USA Eyewear Corp. for new business software and the implementation thereof, and other intangible assets regarding amounts paid by the Parent Company and by the American affiliate to some licensors to extend licenses.

Amortization is euro 8.233 million and consists of:

- euro 81 thousand recognized in the components of cost of sales;
- euro 5.964 million recognized in distribution expenses;
- euro 2.188 million recognized in general and administration expenses.

The unamortized value of intangible assets and goodwill and their accumulated amortization as at December 31, 2016 are shown in the following table:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total 12/31/2016	Goodwill
Undepreciated value	24,397	18,453	38,606	11,924	93,381	290,902
Accumulated depreciation	(15,652)	(7,560)	(20,344)	-	(43,557)	
Net value	**8,745**	**10,893**	**18,262**	**11,924**	**49,824**	**290,902**

The table related previous year is shown below:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total 12/31/2015	Goodwill
Undepreciated value	21,399	18,108	35,057	6,196	80,761	288,225
Accumulated depreciation	(13,107)	(5,664)	(15,947)	-	(34,718)	
Net Value	**8,292**	**12,444**	**19,110**	**6,196**	**46,043**	**288,225**

Goodwill is affected exclusively by an increase for translation differences on the component regarding the Viva International acquisition, currently recognized in the financial statements of Marcolin USA Eyewear Corp.

Goodwill was tested for impairment to assess the fairness of the carrying amount as at December 31, 2016.

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

The following assumptions were made to determine value in use:

- the cash-generating unit was identified in the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and all its Italian and foreign subsidiaries) because the Group's organizational structure uses a centralized model headed by Marcolin S.p.A.;
- the main data sources used were: the draft financial statements for the year ended December 31, 2016, the 2017 Budget and the 2017 - 2020 business plan[11];
- the "*terminal value"* was calculated by capitalizing the available cash flow expected perpetually from 2020 (estimated on the basis of the last year in the business plan, given an increase in the "g" rate from the last year stated), assuming that it will grow at an annual "g" rate. This rate was assumed to be equal to 2.4%, conservatively considering the inflation projections for the countries in which Marcolin is present. The terminal value was adjusted to account for the Parent Company's transfer of the provision for severance indemnities;
- the cash flow discount rate (WAAC) is 9.0%, calculated in line with the Capital Asset Pricing Model (CAPM) used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.0%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 10.1%), weighted considering the source of the Group's main cash flows. Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

Based on the results of the analysis performed, goodwill did not suffer any impairment losses, since the value in use is significantly higher than the carrying amount as at December 31, 2016.

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

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

In this case, a half-percentage point increase in WAAC would result in a 7% decrease in the enterprise value (given the same g), whereas a half-percentage point decrease in the g rate would result in a 6% decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

Finally, a stress test was performed assuming higher capital expenditures than those budgeted, and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration. Neither case would result in an impairment loss.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for euro 1.8 million and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

11 approved by the Parent Company's Board of Directors on January 17, 2017.

Concessions, licenses and trademarks also include euro 10.0 million for an option, already exercised, that enabled the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost is amortized over 7 years starting from 2016.

3. INVESTMENTS IN ASSOCIATES

The investments in associates, totaling euro 907 thousand, consist exclusively of the investment in associate Viva Optique de Mexico SA de CV, 50% held by the american company Marcolin USA Eyewear Corp., consolidated with the equity method. The positive effect in 2016 income statement is equal to euro 171 thousand. See note 26 for further details. The decrease from the prior year is attributable to the deconsolidation of associate Viva Australia Pty Ltd upon the completion of its liquidation process in the second half of 2016.

4. DEFERRED TAX ASSETS AND LIABILITIES

The net deferred tax assets as at December 31, 2016 are euro 28.348 million (euro 26.415 million in 2015), the balance of euro 35.950 million in deferred tax assets and euro 7.602 million in deferred tax liabilities.
The amount is primarily attributable to the Parent Company, for euro 6.275 million (euro 5.854 million in 2015), Marcolin USA Eyewear Corp. for euro 20.139 million (euro 17.190 million in 2015), and Marcolin France sas for euro 1.118 million (euro 1.278 million in 2015).

The amount refers to:

- euro 16.241 million in temporary differences generated between the value of the assets and liabilities reported in the financial statements and the value attributed to those assets and liabilities for tax purposes;
- euro 12.107 million in deferred tax assets recognized on tax losses generated in periods before 2016. Recognition of deferred tax assets was made possible by the prospect of realizing the assets due to the expectation of future taxable profits according to the business plans prepared by the Group.

More information is provided in Note 28, regarding income taxes.

5. OTHER NON-CURRENT ASSETS

The balance at December 31, 2016 is euro 465 thousand (euro 563 thousand in 2015), and refers primarily to prepaid commissions on the Parent Company's euro 25 million senior revolving credit facility.

6. NON-CURRENT FINANCIAL ASSETS

This item amounted to euro 3.797 million on December 31, 2016, referring primarily to euro 4.300 million for a loan granted by the Parent Company to a third party, on which interest accrues at market rates and whose repayments began in 2013 (with installments until 2022). The current portion receivable, recognized among current financial assets, is euro 690 thousand.

7. INVENTORIES

Inventories are detailed below:

Inventories *(euro/000)*	12/31/2016	12/31/2015
Finished goods	116,101	117,982
Raw material	17,438	15,337
Work in progress	17,618	16,831
Gross inventory	**151,157**	**150,150**
Inventory provision	(24,244)	(29,937)
Net inventory	**126,914**	**120,214**

Net inventories rose by euro 6.700 million from the previous year. The fluctuation is attributable to a euro 1.007 million increase in the inventory itself and a euro 5.693 million decrease in the inventory impairment provision. The reduced provision is the direct consequence of measures implemented by management from the previous year to streamline the product offer by downsizing the number of models produced and accelerating the sales periods for some models. This resulted in better quality inventories, enabling to reduce the writedown rate;

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition of and possibility to sell such inventory.

8. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

Trade receivables *(euro/000)*	12/31/2016	12/31/2015
Gross trade receivables	86,232	91,064
Provision for bad debts	(7,580)	(5,949)
Net trade receivables	**78,652**	**85,115**
Provision for returns	(6,009)	(9,889)
Total trade receivables	**72,643**	**75,226**

Gross trade receivables fell by euro 2.583 million. The declined trade receivables were affected by the Group's strategy to reduce the average collection period, or "days sales outstanding" (DSO). Indeed, the DSO was reduced significantly by 9 days compared to the prior year.

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

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

Trade receivables not overdue by geographical area *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	14,895	16,550
Rest of Europe	15,866	14,852
North America	13,503	19,197
Rest of World	24,677	19,680
Total	**68,941**	**70,279**

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

Ageing analysis of trade receivables not protested *(euro/000)*	**Gross value**	**Provision**	**Net value**
12/31/2015			
Not past due	70,279	(20)	70,259
Past due by less than 3 months	11,407	(962)	10,445
Past due by 3 to 6 months	3,118	(464)	2,654
Past due by more than 6 months	2,962	(1,212)	1,750
Total	**87,766**	**(2,658)**	**85,108**
12/31/2016			
Not past due	68,941	(29)	68,912
Past due by less than 3 months	6,406	(564)	5,842
Past due by 3 to 6 months	2,376	(617)	1,758
Past due by more than 6 months	5,069	(3,003)	2,066
Total	**82,791**	**(4,213)**	**78,578**

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

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

Trade receivables overdue but not impaired *(euro/000)*	**12/31/2016**	**12/31/2015**
Past due by less than 3 months	4,311	3,821
Past due by more than 3 months	2,328	694
Total	**6,640**	**4,515**

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

Ageing analysis of protested trade receivables (euro/000)	Gross value	Provision	Net value
12/31/2015			
Past due by less than 12 months	112	(80)	32
Past due by more than 12 months	3,252	(3,212)	40
Total	**3,364**	**(3,292)**	**72**
12/31/2016			
Past due by less than 12 months	617	(575)	42
Past due by more than 12 months	2,824	(2,793)	31
Total	**3,441**	**(3,367)**	**74**

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

Provision for doubtful debts (euro/000)	12/31/2016	12/31/2015
Opening amount	5,948	5,798
Provisions	1,870	665
Use/reversal	(515)	(523)
Reclassification and others	-	27
Translation difference	277	(19)
Period end Total	**7,580**	**5,948**

The provision for doubtful debts increased by euro 1.632 million from the prior year. The provision is deemed adequate for presenting receivables at their estimated realizable value given their composition and age and the related guarantees. A large portion of the annual allocation was made by companies of the Marcolin Do Brasil Ltda group.
Some trade receivables are covered by the types of guarantees typically used for sales on international markets.

9. OTHER CURRENT ASSETS

The composition of other current assets is shown below:

Other current assets (euro/000)	12/31/2016	12/31/2015
Tax credits	6,508	9,016
Other receivables	3,989	4,871
Other	2,570	1,505
Total other current assets	**13,067**	**15,392**

This item, euro 13.067 million (euro 15.392 million in 2015), presents a decrease of euro 2.325 million from the prior year.

The tax credits consist mainly of VAT and taxes paid on account. The annual decrease of euro 2.508 million is attributable primarily to less VAT credit reported by the Parent Company and by other Group companies in the final months of the year.

"Other receivables" consists primarily of amounts due from parent 3 Cime S.p.A. under the tax consolidation agreement in effect with that company. In 2014 Marcolin S.p.A. and Italian companies Eyestyle Retail Srl and Eyestyle.com Srl (the latter two companies were merged directly into Marcolin S.p.A. on December 1, 2015) adopted the Italian tax consolidation regime for corporate income tax

(IRES) purposes, which recognizes 3 Cime S.p.A. as the ultimate parent company. The balance due from 3 Cime S.p.A. at December 31, 2016 is euro 3.118 million, compared to euro 3.285 million as at December 31, 2015. The decrease mainly results from the recognition of tax consolidation expense as a result of Marcolin S.p.A.'s 2016 income subject to IRES, which reduced the tax consolidation credit recognized in previous years on accumulated losses.

"Other assets" consists mainly of prepaid insurance premiums and other costs for projects relating to 2017.

10. CURRENT FINANCIAL ASSETS

This item, euro 699 thousand at December 31, 2016 (euro 1.022 million in 2015), includes the euro 690 thousand current portion due on a loan granted by the Parent Company to a third party which accrues interest at market rates, and whose repayments began in 2013 (with installments until 2022).

11. CASH AND BANK BALANCES

This item represents the value of cash deposits and highly liquid financial instruments, i.e. those with a maturity of up to three months.
It rose by euro 1.848 million in the period. The change in this item is described in the Consolidated Statement of Cash Flows, which provides information on the 2016 movements in cash and bank balances.

12. EQUITY

The Parent Company's share capital is euro 32,312,475 and is composed of 61,458,375 ordinary shares without par value.
The composition of share capital did not change in 2016.

The share premium reserve and capital reserve account, euro 151.994 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 4.077 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 8.958 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro. The reduction from the prior year of euro 3.841 million is attributable to changes on currency exchange rate during the period. A significant impact is related to the devaluation of the British pound against the euro, which suffered a 16.7% devaluation as of December 31, 2016 compared to previous year.

Other Reserves, of euro 834 thousand, mainly include for some euro 714 thousand the exchange rate difference at year end on the intecompany financial loan between Marcolin S.p.A. and Marcolin USA Eyewear Corp. expressed in USD, calculated starting from November 18, 2016 to December 31, 2016. On November 18, 2016, after a resolution of the Board of Director dated October 27, 2016, the maturity date of such intercompany financial loan has been repealed and the settlement has neither been planned nor likely to occur in the foreseeable future. In accordance with IAS 21, the intercompany financial loan has been considered as a "quasi equity loan", so all exchange rate difference are recognized on a reserve in equity and in Other Comprehensive Income Statement.

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

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

13. NON-CURRENT FINANCIAL LIABILITIES

This item, euro 199.866 million, was euro 200.626 million at the end of 2015; it has increased by euro 760 thousand.

The change in non-current financial liabilities is mainly due to a net decrease of the non-current portion of bank loans and other financial liabilities for some euro 2.289 million, partially offset by the increase of financial liabilities given by the reversal on the income statement of bond expenses according to the amortizing cost method.

The liability consists mainly of the bond notes issued by the Parent Company, subscribed for a nominal euro 200 million in 2013.[12]
The notes issued, maturing in 2019, were classified as medium/long-term liabilities, and the related payable was accounted for in accordance with IAS 39 (amortized cost) in order to defer the transaction costs pertaining to future periods and to recognize them with the effective interest rate method.

As noted, within the scope of the refinancing transaction occurred in 2013, a super senior revolving credit facility was granted, for total amount of euro 30 million, including an increase of euro 5 million signed in the year 2016 by Banca IMI S.p.A., IKB Deutsche Industriebank AG, Natixis S.A., UniCredit S.p.A. and Goldman Sachs, to be used for ordinary cash flow demands. The credit facility has been used for euro 25 million at the end of 2016. With respect to this financing, costs totaling euro 635 thousand were deferred, of which euro 108 thousand reversed on Income Statement on 2016. As of December 31, 2016 the residual deferred amount is some euro 310 thousand.

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[12] The notes, which have a ordinary six-year maturity and provide for voluntary early redemption, were issued in a single tranche on November 14, 2013. The key features are summarized below:
Purchasers: the notes may be offered and placed (1) in the United States, solely with qualified institutional buyers pursuant to Rule 144A of the U.S. Securities Act; (2) in Europe and in Italy solely with qualified investors pursuant to Directive 2003/71/EC, as subsequently amended and integrated, Italian Legislative Decree 58/1998 and CONSOB Regulation 11971/1999 for Issuers, unless in circumstances which are exempt from public offer rules.
Listing: (1) on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and (2) with Borsa Italiana S.p.A. for trading on the extramot pro multilateral trading facility.
Issue Price: 100% (one hundred percent) of the nominal value of the notes, plus any accrued interest from the issue date.
Maturity Date: November 15, 2019. See also the paragraph "Subsequent events and business outlook" for more details related to the early repayment of the same.
Form: notes issued in registered form represented by (1) a global certificate representing the notes issued pursuant to Regulation S of the 1933 U.S. Securities Act, and (2) a global certificate representing the notes issued pursuant to Rule 144A of the 1933 U.S. Securities Act.
Interest Rate: annual fixed rate of 8.5% (eight point five percent), payable semi-annually.
Interest Payment Dates: May 15 and November 15 of each year, from May 15, 2014 to the maturity date.

The following table summarizes the most significant financial loans as at December 31, 2016

	Currency	Original amount (euro)	Residual amount (1) (euro)	Maturity date	Interest rate	Notes
High yield bond	euro	200,000,000	200,000,000	11/14/2019	8.5%	Bond issued the 14th November 2013 - Half-yearly interests in 15th of May and 15th of November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro	30,000,000	25,000,000	06/03/2019	Euribor 1/2/3 months + spread	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 - signed the 18th November 2013 and other 5,000,000 signed the 15th July 2016
Unicredit S.p.A.	euro	5,000,000	2,500,000	12/31/2018	Euribor 3 months + spread	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015
Banca Popolare FriulAdria S.p.A.	euro	3,000,000	1,274,209	03/04/2018	Euribor 3 months + spread	Loan granted on March 4, 2015, repayable in 12 quarterly installments from June 4, 2015
Banco Popolare s.c.r.l.	euro	1,500,000	875,000	09/30/2018	Euribor 3 months + spread	Loan granted on September 16, 2015, repayable in 12 quarterly installments from December 31, 2015
Banca Popolare di Vicenza s.c.p.a.	euro	2,500,000	1,696,348	12/31/2018	Euribor 3 months + spread	Loan granted on December 23, 2015, repayable in 12 quarterly installments from March 31, 2016
Banca Popolare FriulAdria S.p.A.	euro	1,500,000	903,901	09/28/2017	Euribor 3 months + spread	Loan granted on June 23, 2016, repayable in 5 quartely from September 28, 2016
Banco Popolare s.c.r.l.	euro	3,000,000	2,700,000	03/31/2019	Euribor 3 months + spread	Loan granted on September 30, 2016, repayable in 10 quartely from December 31, 2016
BCC delle Prealpi Soc. Coop.	euro	1,000,000	917,199	11/09/2016	Euribor 6 months + spread	Loan granted on November 9, 2016, repayable in monthly rate from December 9, 2016
Total			**235,866,657**			

(1) Amounts recognized without considering the effect of the related expenses recorded by the amortized cost method

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

Net financial debt *(euro/000)*	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	42,230	40,382
Current and non-current financial assets	4,497	5,483
Current financial liabilities	(46,897)	(54,678)
Current portion of non-current financial liabilities	(4,800)	(3,548)
Non-current financial liabilities	(199,866)	(200,626)
Total net financial debt	**(204,837)**	**(212,988)**

In additional to the commitments described subsequently (see Note 20), for the revolving credit facility, commitments to comply with financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. According to an analysis conducted at the time of preparation of this Report, all the covenants were complied with as at December 31, 2016.

14. NON-CURRENT PROVISIONS

This item amounts to euro 7.487 million (euro 8.703 million in 2015), a decrease of euro 1.216 million.

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

Non-current funds *(euro/000)*	Provision for severance employee indemnities	Provision for agency terminations	Other funds	Totale
12/31/2014	**3,678**	**1,690**	**3,551**	**8,919**
Allowances	42	815	1,200	**2,057**
Use / reversal	(118)	(1,567)	(909)	**(2,594)**
Actuarial loss / (gain)	(134)	(48)	-	**(182)**
Translation difference	-	(61)	282	**221**
Other changes	(20)	513	(211)	**282**
12/31/2015	**3,448**	**1,342**	**3,913**	**8,703**
Allowances	46	117	602	**765**
Use / reversal	(330)	(457)	(1,299)	**(2,086)**
Actuarial loss / (gain)	24	-	-	**24**
Translation difference	-	47	34	**81**
Other changes	-	-	-	**-**
12/31/2016	**3,188**	**1,049**	**3,250**	**7,487**

The employees benefit is related to the severance indemnity provision ("TFR") recognized in the Parent Company's financial statements as euro 3.188 million[13], which was measured with an actuarial calculation at the end of the year[14].
The additional information required under Revised IAS 19 is provided hereunder:

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

Sensitivity analysis	DBO * at 12/31/2016
Inflation rate +0,25%	3,237
Inflation rate - 0,25%	3,160
Actuarial rate +0,25%	3,137
Actuarial rate - 0,25%	3,261
Turnover rate +1%	3,178
Turnover rate -1%	3,220

* Defined Benefit Obligation

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

Next year service cost Vesting period	
2016 Service cost	-
Vesting period	8.40

- payments foreseen under the plan:

[13] The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.

[14] The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of severance payments: 2%; 5) discount/interest rate: 0.86%; 6) TFR growth rate: 2.63% for 2016, 2.9% for 2017, 2.8% for 2018, 2.7% for 2019, 3% for 2020 on; 7) inflation rate: 1.5% for 2016, 1.8% for 2017, 1.7% for 2018, 1.6% for 2019, 2% for 2020 on.

Years	Payments foreseen
1	349
2	241
3	204
4	208
5	339

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

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

15. OTHER NON-CURRENT LIABILITIES

At the end of the period the amount of other non-current liabilities was euro 86 thousand (compared to the euro 5.758 million of 2015), a decrease of euro 5.672 million due to the payment of other non-trade payables regarding Marcolin USA Eyewear Corp.

16. TRADE PAYABLES

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

Trade payables by geographical area *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	36,468	35,278
Rest of Europe	11,379	10,437
North America	24,402	20,977
Rest of World	56,277	54,095
Total	**128,526**	**120,787**

The euro 7.739 million increase in trade payables is mainly attributable to the recognition of debt at the end of the year with reference to adjustments and allocations of costs whose competence is 2016.

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

In compliance with the disclosure requirements of IFRS 7, it is reported that on December 31, 2016 there were no past-due trade payables, excluding the accounts being disputed by the Company with suppliers, which are of immaterial amounts.

17. CURRENT FINANCIAL LIABILITIES

The current financial liabilities amount to euro 51.697 million (compared to the euro 58.226 million of 2015), down by euro 6.529 million year on year.

The item includes:

- euro 48.292 million in short-term borrowings from banks (euro 53.020 million in 2015);

- euro 2.865 million due to other financiers, primarily the interest accrued on the bond notes (euro 2.584 million in 2015);
- euro 541 thousand of other financial payables due within 12 months, which decrease for euro 2.622 million due to the payment during the period of the remaining financial liabilities due to HVHC, Inc. for the acquisition of Viva Group, owed by Marcolin USA Eyewear Corp.

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

Borrowings-maturity *(euro/000)*	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Credit lines used	8,669	-	-	-	**8,669**
Loans	39,612	4,226	-	-	**43,838**
Other financiers	3,416	195,553	87	-	**199,057**
12/31/2016	**51,697**	**199,779**	**87**	**-**	**251,563**

No instruments to hedge against currency risk were in place as at December 31, 2016.

18. CURRENT PROVISIONS

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

Current funds *(euro/000)*	**Other funds**
12/31/2014	**1,113**
Allowances	68
Use / reversal	(564)
Translation difference	66
Other changes	(259)
12/31/2015	**423**
Use / reversal	(71)
12/31/2016	**352**

The other provisions, which totaled euro 352 thousand, refer to potential risks originating mainly from legal obligations.

For the sake of better disclosure, the provision for customer returns was reclassified to trade receivables. The amount is presented in the Note on that item.

19. OTHER CURRENT LIABILITIES

Below are the details of the other liabilities:

Other current liabilities *(euro/000)*	**12/31/2016**	**12/31/2015**
Payables to personnel	17,394	13,598
Social security payables	3,658	2,960
Other accrued expenses and deferred income	735	1,599
Total	**21,787**	**18,156**

The other current liabilities consist primarily of euro 17.394 million due to personnel (euro 13.598 million in 2015) and euro 3.658 million in social security (euro 2.960 million in 2015).

20. COMMITMENTS AND GUARANTEES

Guarantees associated with the bond issue

With a notarial deed dated October 31, 2013, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal euro 200,000,000 were established.
The notes are secured by collateral provided by Marcolin SpA (the "Issuer"), controlling shareholder Marmolada S.p.A. and some subsidiaries of the Issuer for the exact amount of the payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- a pledge over the Issuer's intellectual property rights;
- a security assignment over insurance policy receivables due to the Issuer;
- a security assignment over trade receivables due to the Issuer;
- a security assignment over receivables due to the Issuer by the former Marcolin USA, Inc. (now Marcolin USA Eyewear Corp.) originating from loans granted to provide the company with the financing necessary to pay the purchase price/acquire the share capital of Viva Optique Inc.;
- a pledge over all Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all Marcolin (Deutschland) GmbH shares owned by the Issuer;
- a pledge over all the Issuer's shares of Marcolin U.S.A. Eyewear Corp (formerly Viva Optique Inc.), which on December 18, 2014 absorbed companies Marcolin USA Inc, Viva Europa Inc., Viva International Inc., and Viva Ip Corp, whose shares have all the previous pledges and security agreements assumed by Marcolin U.S.A. Eyewear Corp, i.e.:
  - a pledge over all Marcolin USA, Inc. shares owned by the Issuer;
  - a pledge over all Marcolin USA, Inc.'s shares of Viva Optique Inc., directly controlled by Marcolin USA, Inc.;
  - a pledge over 65% of the shares of Viva Europa Inc., controlled indirectly by the Issuer, through Viva Optique Inc.;
  - a pledge over 65% of the shares of Viva Eyewear Ltd (UK), controlled indirectly by the Issuer, through Viva Europa Inc.;
  - a security agreement over all material assets of Marcolin USA, Inc;
  - a security agreement over all material assets of Viva Optique, Inc.

As described in the Report on Operations under "Subsequent Events and Business Outlook", 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 (shall be subject to a floor of zero%) plus a 4.125% spread. Pursuant to the new bond issue, the previous bond notes backed by the aforementioned collateral were redeemed.

By the date of approval of this Annual Report, the guarantees on the previous bond notes had been replaced by those on the new notes, and the current guarantees are more restricted in scope than those given on the previous bond notes.

Licenses

The Group has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.
Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2016 these future commitments amounted to euro 315.017 million (euro 329.424 million in 2015), including euro 71.594 million falling due within the next year.

Guaranteed minimum Royalties due *(euro/000)*	**12/31/2016**	**12/31/2015**
Within one year	71,594	66,041
In one to five years	202,535	224,359
After five years	40,888	39,024
Total	**315,017**	**329,424**

Rent and leases

Details of the rent and operating lease commitments are shown below, in accordance with IAS 17:

Commitments *(euro/000)*	**12/31/2016**	**12/31/2015**
Rent due		
Within one year	3,565	3,582
In one to five years	10,104	8,340
After five years	6,740	7,410
Total	**20,409**	**19,332**
Operating lease payments		
Within one year	851	490
In one to five years	1,208	662
After five years	-	-
Total	**2,059**	**1,152**
TOTAL	**22,468**	**20,484**

The rent commitments refer mainly to the office leases of the American affiliate.
The Group also has guarantees for third parties of euro 40 thousand (euro 152 thousand in 2015).

MARCOLIN GROUP CONSOLIDATED INCOME STATEMENT

The Group's consolidated income statement results are presented in comparison with the 2015 results.

21. REVENUE

The following table sets forth the 2016 net revenues by geographical area:

Net Revenues by geographical area						
	2016		**2015**		**Change**	
(euro/000)	**euro**	**% of total**	**euro**	**% of total**	**euro**	**%**
Italy	*31,726*	*7.2%*	*26,555*	*6.1%*	*5,171*	*19.5%*
Rest of Europe	*125,857*	*28.5%*	*111,998*	*25.8%*	*13,859*	*12.4%*
Europe	157,583	35.7%	138,552	31.9%	19,031	13.7%
Americas	191,569	43.4%	210,736	48.5%	(19,167)	(9%)
Asia	38,465	8.7%	38,573	8.9%	(108)	(0.3%)
Rest of World	54,238	12.3%	46,980	10.8%	7,258	15.4%
Total	**441,855**	**100.0%**	**434,842**	**100.0%**	**7,013**	**1.6%**

The 2016 revenue is euro 441.855 million, compared to euro 434.842 million in 2015.
The Report on Operations provides a description of revenue by geographical area.

22. COST OF SALES

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

Cost of sales	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of product	170,564	38.6%	161,113	37.1%
Cost of personnel	10,275	2.3%	9,792	2.3%
Amortization, depreciation and writedowns	3,132	0.7%	2,694	0.6%
Other costs	2,140	0.5%	5,382	1.2%
Total	**186,111**	**42.1%**	**178,981**	**41.2%**

The cost of sales is euro 186.111 million, compared to euro 178.981 million for 2015.
The other expenses refer principally to purchasing charges (transport and customs) and business consulting services.

23. DISTRIBUTION AND MARKETING EXPENSES

Below is a detailed breakdown of the 2016 distribution and marketing expenses:

Distribution and marketing expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of personnel	45,794	10.4%	50,037	11.5%
Commissions	25,433	5.8%	27,270	6.3%
Amortization, depreciation and writedowns	6,858	1.6%	5,511	1.3%
Royalties	56,212	12.7%	53,680	12.3%
Advertising and PR	32,590	7.4%	31,615	7.3%
Other costs	28,658	6.5%	31,486	7.2%
Total	**195,545**	**44.3%**	**199,598**	**45.9%**

They amount to euro 195.545 million, against euro 199.598 million for 2015.
The cost of personnel includes non-recurring costs of euro 884 thousand regarding *ad-personam* agreements regarding changes in job positions.

With respect to advertising and public relations ("PR") expenses, advertising and marketing expenditure continued to promote the brands handled, including both licensed and house brands; as a percentage of net sales, the expenditure remained consistent with that of the previous year.

Other costs include mainly business expenses such as:
- shipping costs on sales;
- marketing expenses incurred for the sales network;
- services regarding the sales area;
- rent payments;
- travel expenses;
- telephone and insurance expenses;
- entertainment expenses.

24. GENERAL AND ADMINISTRATION EXPENSES

The general and administrative expenses are set forth below:

General and administrative expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of personnel	12,604	2.9%	14,479	3.3%
Writedown of receivables	1,808	0.4%	660	0.2%
Amortization, depreciation and writedowns	3,156	0.7%	2,749	0.6%
Other costs	13,105	3.0%	14,126	3.2%
Total	**30,673**	**6.9%**	**32,013**	**7.4%**

The 2016 general and administrative expenses amount to euro 30.673 million, against euro 32.013 million for 2015.

The other costs include:
- compensation of directors, statutory auditors, the independent auditing firm and other external professionals;
- general and administrative services;
- information technology expenses;
- general and administrative consulting services;
- other general and administrative expenses (sundry purchases, telephone expenses, insurance, travel expenses, rent and rentals).

25. EMPLOYEES

The 2016 end-of-period and average number of employees of the various Group companies (including the work force on temporary contracts) is broken down below in comparison with the previous year:

Employees	Final number		Average number	
Category	**12/31/2016**	**12/31/2015**	**2016**	**2015**
Managers	53	63	59	65
Staff	916	931	932	903
Manual workers	744	715	748	659
Total	**1,713**	**1,709**	**1,739**	**1,627**

26. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Other income	1,824	0.4%	4,069	0.9%
Other expenses	(47)	0.0%	(452)	-0.1%
Result of subsidiaries companies accounted using the equity method	171	0.0%	250	0.1%
Total	**1,948**	**0.4%**	**3,867**	**0.9%**

The balance of this item is net operating income of euro 1.948 million, compared to euro 3.867 million for the previous year, a decrease of euro 1.919 million. The amount corresponds to 0.4% of net sales, compare to the 0.9% of the previous year. The amount mainly consists of recharges to third parties, contingent gains and losses, insurance reimbursement and the result on Income Statement of the equity accounting of Viva Optique de Mexico SA de CV.

27. FINANCIAL INCOME AND COSTS

The financial income and costs are presented below:

Financial income and costs *(euro/000)*	**2016**	**2015**
Financial income	18,500	20,347
Financial costs	(34,590)	(40,895)
Total	**(16,090)**	**(20,548)**

The composition of financial income is shown below:

Financial income *(euro/000)*	**2016**	**2015**
Interest income and others	686	640
Gains on currency exchange	17,814	19,707
Total	**18,500**	**20,347**

The composition of finance costs is shown below:

Financial costs *(euro/000)*	**2016**	**2015**
Interest expense	(22,540)	(21,485)
Financial discounts	(2,790)	(2,201)
Losses on currency exchange	(9,260)	(17,209)
Total	**(34,590)**	**(40,895)**

Financial income and costs result in net finance costs of euro 16.090 million (euro 20.548 million in 2015).

Financial income and expense consist of income for euro 18.500 million and expenses for euro 34.590 million. They can be classified into two different categories: financial income and expenses and exchange differences.
Financial income and expenses include:

- interest income for some euro 686 thousand;
- interest expense of euro 22.540 million, comprising euro 17.0 million on the bond notes issued by Marcolin S.p.A., paid semiannually in May and November, for the reversal of bond issue transaction costs, accounted for under IFRS with the financial method of amortized cost over the life of the bond notes, euro 4.017 million in net interest costs (euro 2.640 million referring to the Parent Company, Marcolin S.p.A., and euro 1,377 thousand referring to subsidiaries) regarding to bank interest expense and actualization differences;
- financial discounts granted to customers of euro 2.790 million, nearly entirely attributable to foreign subsidiaries.

With reference to exchange rate gains and losses the total amount is positive for some euro 8.554 million in 2016 compared to euro 2.498 million in 2015. The amount is composed as follows:

- Exchange rate gains for some euro 17.814 million, of which euro 7.952 million realized and euro 9.862 not realized referring to end-of-period translation differences on trade and financial accounts in foreign currency. In respect of the latter, in accordance with IAS 21, the translation adjustment to a loan denominated in U.S. dollars between Marcolin S.p.A. and Marcolin USA Eyewear Corp. was recognized in an equity reserve starting from November 18, 2016 since it is classified as a “quasi equity loan”. For further information refer to paragraph 12. Equity;
- Exchange rate losses for some euro 9.260 million, of which euro 5.905 million realized and euro 3.355 million not realized referring to end-of-period translation differences on trade and financial accounts in foreign currency. The decrease compared to previous period is mainly due to to revaluation of Brasilian Reals for some 20.4% on 2016 compared to a devaluation of some 33.9% on 2015, the lower revaluation of USD on 2016 compared to 2015 (the total revaluation on 2016 is some 3,2%, while in 2015 was some 10.3%) and finally the devaluation of British Pound of some 16.7% in 2016 compared to a revaluation of some 5.8% on 2015.

There were no currency hedges (on purchases and sales) in place as at December 31, 2016. Fair value measurement of currency hedges in place at the end of the previous year had resulted in a net gain of euro 74 thousand.

28. INCOME TAX EXPENSE

Income taxes are euro -3.211 million, including current taxes of euro -3.813 million, deferred taxes of euro 1.601 million, tax consolidation expense of euro -682 thousand and tax referring to the previous period of euro -317 thousand.

Income tax expense *(euro/000)*	**12/31/2016**	**12/31/2015**
Current taxes	(3.813)	(2.161)
Deferred taxes	1.601	(6.671)
Income/(Expenses) from Tax Consolidation	(682)	(476)
Taxes relating to prior year	(317)	(774)
Total income tax expense	**(3.211)**	**(10.082)**

The Parent Company's current taxes of 2016 are euro 741 thousand, and those of foreign subsidiaries are euro 3.060 million. The Parent Company's deferred taxes are euro 573 thousand, and those of foreign subsidiaries are euro 1.028 million.
The tax consolidation expense refers entirely to the IRES amount due by the Parent Company to 3 Cime S.p.A. under the tax consolidation agreement.

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

On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq*. of December 22, 1986, the ultimate parent company, 3 Cime S.p.A. notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.
The tax consolidation agreement that expired on December 31, 2016 enabled 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.

The income tax expense for the year is reconciled with the theoretical tax burden in the following table:

Tax rate reconciliation *(euro/000)*		**12/31/2016**
Results before tax		**15,385**
Theoretical taxes	27.5%	(4,231)
Impact of foreign tax rate different from italian tax rate	(17.0%)	2,613
IRAP and other	9.2%	(1,412)
Higher taxes due to non-deductible costs	14.1%	(2,173)
Lower taxes for non-taxable income	(3.0%)	464
Taxes relating to prior year	2.1%	(317)
Unrecognised deferred tax assets on tax losses	1.3%	(204)
Use of accumulated tax losses unrecognised deferred tax assets in previous year	(0.6%)	97
Impact of tax change rates on taxes	1.4%	(212)
Activation of deferred tax assets unrecognised previous years	(13.7%)	2,112
Other	(0.3%)	51
Total income taxe expense	**20.9%**	**(3,211)**

Deferred tax amounts and the changes therein are presented in the following tables:

Deferred tax assets *(euro/000)*	**Temporary differences 12/31/2016**	**Tax on tamporary differences 12/31/2016**	**Temporary differences 12/31/2015**	**Tax on tamporary differences 12/31/2015**
Accumulated tax losses	35,751	12,107	28,677	9,166
Grants and compensation deductible on a cash basis	17,451	4,510	23,486	8,326
Inventory provisions	21,845	6,686	24,972	8,125
Provision for return risks	7,657	2,797	7,799	2,815
Intangible assets subject to taxation	10,924	4,062	14,677	5,412
Taxed provision for doubtful debts	4,391	1,437	3,088	955
Unrealized currency exchange differences	2,432	590	2,224	633
Income from CFC (controlled foreign companies)	5,622	1,814	2,098	504
Non-deductible temporary amortization	457	111	1,676	618
Supplementary client indemnity provision	392	108	538	145
Other	5,542	1,652	183	45
Provisions for risks and charges	275	77	155	49
Total deferred tax assets	**112,741**	**35,950**	**109,573**	**36,793**

Deferred tax liabilities *(euro/000)*	**Temporary differences 12/31/2016**	**Tax on tamporary differences 12/31/2016**	**Temporary differences 12/31/2015**	**Tax on tamporary differences 12/31/2015**
Unrealized currency exchange differences	(10,936)	(3,034)	(12,408)	(3,403)
Property, plant and equipment and intangible assets	(3,881)	(1,219)	(7,655)	(2,591)
Equity-method accounting of JV and other equity investments	(10,620)	(3,948)	(9,557)	(3,823)
Finance costs deducted on a cash basis	(5,354)	(1,242)	(6,703)	(1,658)
Other	(1,334)	(496)	(2,001)	(805)
Discounting of receivables/payables to present value	-	-	(549)	(202)
Actuarial gain / losses on TFR under IAS	62	15	(598)	16
Intercompany profit	7,039	2,323	6,073	2,089
Total deferred tax liabilities	**(25,024)**	**(7,602)**	**(33,399)**	**(10,378)**
Total deferred assets / liabilities	**87,717**	**28,348**	**76,174**	**26,415**

The balance of deferred tax assets and liabilities presented in the Statement of Financial Position differs by euro 1.933 million from the balance of euro 1.601 million shown in the Income Statement due to the following reasons:

- Deferred tax recognition of euro 265 thousand on elements recognized on Equity;
- Euro 176 thousand adjustment to deferred taxes pursuant to the preparation of the tax return in 2016, whose Income Statement component is classified as "taxes regarding prior periods";
- Use of deferred tax assets on accumulated tax losses of euro 366 thousand as part of the fine adjustment commensurate with the parent company Marcolin S.p.A. following the conclusion of a tax assessment in reference to the fiscal years 2011-2013, which was reached to adhesion with the Inland Revenue dated November 11, 2016;
- Euro -787 thousand adjustment deriving from the translation into euros of the accounts of Group companies whose functional currency differs from the euro.

With reference to tax losses of the Group, some euro 15.8 million prudentially hasn't been recognized on deferred tax assets for a total estimated amount (based on companies tax rate) of some euro 4.9 million.

29. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by uniform category in the table below (compared with previous year), which presents their fair value in accordance with IFRS 7.
For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.
The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

Categories of financial assets *(euro/000)* **2016**	**Trade receivables**	**Financial assets**	**Cash and cash equivalents**
Loans and other financial receivables	72,643	4,496	42,230
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	**72,643**	**4,496**	**42,230**

Categories of financial assets *(euro/000)*	**Trade receivables**	**Financial assets**	**Cash and cash equivalents**
2015			
Loans and other financial receivables	85,115	5,483	40,382
Financial assets at fair value through P/L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	**85,115**	**5,483**	**40,382**

Categories of financial liabilities *(euro/000)* **2016**	**Trade payables**	**Financial liabilities**	**Bond**
Financial liabilities at fair value through P&L	-	-	-
Derivatives used for hedging	-	-	-
Other financial liabilities and amortized cost	128,526	53,157	194,826
Liabilities as under IAS 17	-	1,127	-
Total	**128,526**	**54,284**	**194,826**

Categories of financial liabilities *(euro/000)*	**Trade payables**	**Financial liabilities**	**Bond**
2015			
Financial liabilities at fair value through P/L	-	-	-
Derivatives used for hedging	-	-	-
Other financial liabilities at amortized cost	120,787	62,056	195,552
Liabilities as under IAS 17	-	1,244	-
Total	**120,787**	**63,300**	**195,552**

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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

Significant non-recurring events and transactions

Significant non-recurring events and transactions that impacted the Group's financial position, financial performance and cash flows in 2016 regard some non-recurring costs, described in detail in the Report on Operations. Such costs were much less than those of previous years, due to the conclusion of the Viva integration process.

Atypical and unusual transactions

There were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity in 2016 that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties with and equity-accounted associates

In addition to the transactions between the consolidated companies, during the year transactions took place with the equity-accounted associates and other related parties.
Related party transactions were of a trade nature, conducted on an arm's length basis, and regarded licensing agreements in particular.
The transactions and outstanding balances with respect to related parties as at December 31, 2016 are shown below, as required by IAS 24:

Company *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Other related parties					
Tod's S.p.A	1,530	560	750	277	Related party
Pai Partners Sas	75	2	75	-	Related party
Famiglia Coffen Marcolin	616	0	155	-	Related party
O.T.B. Group	3,428	50	195	25	Related party
3 Cime S.p.A.	-	-	-	3,118	Consolidating
Total	**5,648**	**612**	**1,175**	**3,420**	

The same table is set forth for 2015:

Company *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Other related parties					
Tod's S.p.A	2,268	597	916	236	Related party
Pai Partners Sas	-	2	81	-	Related party
Top Management	-	1	-	-	Related party
Coffen Marcolin Family	664	0	42	-	Related party
O.T.B. Group	2,451	243	1,701	11	Related party
3 Cime S.p.A.	-	-	-	3,285	Consolidating
Total	**5,383**	**843**	**2,739**	**3,532**	

All related party transactions are carried out at arm's length.

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

(euro/000)	2016 Board of Directors	2016 Statutory Auditors	2016 Other	2015 Board of Directors	2015 Statutory Auditors	2015 Other
Base fee	415	100	-	389	100	-
Salaries and benefits	753	-	-	668	-	-
Total	**1,168**	**100**	**-**	**1,057**	**100**	**-**

Other information pursuant to Italian Civil Code Article 2427, point 6 bis

The following table presents the 2016 fees of the auditing firm, Pricewaterhouse Coopers S.p.A., for audit services performed by that firm, as required under Italian Civil Code Article 2427, point 6 *bis*.

Audit and other services *(euro/000)*	**Amount**
Audit for Marcolin S.p.A.	65
Audit for other subsidiaries	105
Other	8
Total	**178**

INDEPENDENT AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH LEGISLATIVE DECREE N. 39, ARTICLE 14 OF JANUARY 27, 2010

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the sole shareholder of
Marcolin SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Marcolin Group, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Marcolin Group as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Marcolin SpA, with the consolidated financial statements of the Marcolin Group as of 31 December 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the Marcolin Group as of 31 December 2016.

Bologna, 24 March 2017

PricewaterhouseCoopers SpA

Signed by
Edoardo Orlandoni
(Partner)

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

SEPARATE FINANCIAL STATEMENTS OF MARCOLIN S.P.A. FOR THE YEAR ENDED DECEMBER 31, 2016

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

STATEMENT OF FINANCIAL POSITION

(euro)	Notes	12/31/2016	12/31/2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	22,912,626	24,000,819
Intangible assets	2	26,110,760	24,252,161
Goodwill	2	186,226,529	186,226,529
Investments in subsidiaries and associate:	3	70,064,481	64,633,910
Deferred tax assets	27	9,009,278	11,661,799
Other non-current assets	4	291,211	310,721
Non-current financial assets	5	122,184,575	119,115,835
Total non-current assets		**436,799,459**	**430,201,775**
CURRENT ASSETS			
Inventories	6	73,724,899	74,508,610
Trade receivables	7	68,860,011	91,260,884
Other current assets	8	8,455,141	10,916,619
Current financial assets	9	18,512,798	7,890,140
Cash and cash equivalents	10	31,673,170	15,180,066
Total current assets		**201,226,018**	**199,756,319**
TOTAL ASSETS		**638,025,478**	**629,958,094**
EQUITY	11		
Share capital		32,312,475	32,312,475
Additional paid-in capital		24,517,276	24,517,276
Legal reserve		4,077,295	4,077,295
Other reserves		45,189,440	45,206,611
Retained earnings (losses)		104,140,321	106,745,082
Profit (loss) for the period		3,715,706	(2,604,761)
TOTAL EQUITY		**213,952,514**	**210,253,979**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	12	203,122,095	201,189,340
Non-current funds	13	5,509,022	5,795,174
Deferred tax liabilities	27	2,733,674	5,809,859
Other non-current liabilities	14	50,000	50,000
Total non-current liabilities		**211,414,791**	**212,844,373**
CURRENT LIABILITIES			
Trade payables	15	109,384,499	114,103,177
Current financial liabilities	16	91,859,939	83,985,767
Current funds	17	1,088,099	1,158,099
Tax liabilities	27	1,224,574	1,388,757
Other current liabilities	18	9,101,061	6,223,942
Total current liabilities		**212,658,173**	**206,859,742**
TOTAL LIABILITIES		**424,072,964**	**419,704,115**
TOTAL LIABILITIES AND EQUITY		**638,025,478**	**629,958,094**

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

(euro)	Notes	2016	%	2015	%
Net revenues	20	233,005,981	100.0%	205,659,216	100.0%
Cost of sales	21	(138,124,222)	(59.3)%	(126,755,647)	(61.6)%
GROSS PROFIT		**94,881,760**	**40.7%**	**78,903,568**	**38.4%**
Distribution and marketing expenses	22	(77,902,859)	(33.4)%	(74,653,436)	(36.3)%
General and administrative expenses	23	(12,266,774)	(5.3)%	(10,456,546)	(5.1)%
Other operating income/(expenses)	25	10,573,965	4.5%	12,438,459	6.0%
OPERATING INCOME – EBIT		**15,286,092**	**6.6%**	**6,232,044**	**3.0%**
Financial income	26	21,015,641	9.0%	27,140,301	13.2%
Financial costs	26	(31,387,579)	(13.5)%	(30,282,609)	(14.7)%
PROFIT (LOSS) BEFORE TAXES		**4,914,154**	**2.1%**	**3,089,736**	**1.5%**
Income tax expense	27	(1,198,448)	(0.5)%	(5,694,497)	(2.8)%
NET PROFIT (LOSS) FOR THE PERIOD		**3,715,706**	**1.6%**	**(2,604,761)**	**(1.3)%**

(euro)	2016	2015
NET PROFIT (LOSS) FOR THE PERIOD	**3,715,706**	**(2,604,761)**
Other items that will be not subsequently reclassified to profit or loss:		
- Effect (actuarial gain/losses) on defined benefit plans, net of taxes	(17,172)	102,773
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(17,172)**	**102,773**
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**-**	**-**
TOTAL CONSOLIDATED NET PROFIT (LOSS) FOR THE YEAR	**3,698,535**	**(2,501,988)**

STATEMENT OF CHANGES IN EQUITY

				Other reserves					
(euro)	**Share capital**	**Additional paid-in capital**	**Legal Reserve**	**S.holders deposit in s/capital**	**Other**	**Actuarial gain / (loss) reserve**	**Retained earnings/ (losses)**	**Profit (loss) for the period**	**Total equity**
December 31, 2014	**32,312,475**	**24,517,276**	**3,853,132**	**46,107,590**	**-**	**(687,162)**	**102,485,993**	**4,483,252**	**213,072,557**
Allocation of 2014 profit	-	-	224,163	-	-	-	4,259,089	(4,483,252)	-
Dividends	-	-	-	-	-	-	-	-	-
Merger impact of Eyestyle Retail Srl and Eyestyle.com Srl	-	-	-	-	(316,590)	-	-	-	(316,590)
Other movements	-	-	-	-	-	-	-	-	-
- Period result	-	-	-	-	-	-	-	*(2,604,761)*	*(2,604,761)*
- Other components of comprehensive inco	-	-	-	-	-	*102,773*	-	-	*102,773*
Total comprehensive income	-	-	-	-	-	102,773	-	(2,604,761)	(2,501,988)
December 31, 2015	**32,312,475**	**24,517,276**	**4,077,295**	**46,107,590**	**(316,590)**	**(584,389)**	**106,745,082**	**(2,604,761)**	**210,253,979**
Allocation of 2015 loss	-	-	-	-	-	-	(2,604,761)	2,604,761	-
- Period result	-	-	-	-	-	-	-	*3,715,706*	*3,715,706*
- Other components of comprehensive inco	-	-	-	-	-	*(17,172)*	-	-	*(17,172)*
Total comprehensive income	-	-	-	-	-	(17,172)	-	3,715,706	3,698,535
December 31, 2016	**32,312,475**	**24,517,276**	**4,077,295**	**46,107,590**	**(316,590)**	**(601,560)**	**104,140,321**	**3,715,706**	**213,952,513**

STATEMENT OF CASH FLOWS

(euro)	Notes	2016	2015
OPERATING ACTIVITIES			
Profit (loss) for the period		*3,715,706*	*(2,604,761)*
Depreciation and amortization	1.2	9,155,266	7,451,533
Provisions	6,13,17	(1,169,613)	1,218,872
Impairment losses/(reversal) on investments	3.17	2,500,000	3,403,276
Income tax expense	27	1,198,448	5,694,497
Accrued interest expense	26	10,371,938	3,142,308
Adjustments to other non-cash items		(18,572)	(115,227)
Cash generated by operations		*25,753,174*	*18,190,499*
(Increase)/decrease in trade receivables	7	14,286,960	(22,612,557)
(Increase)/decrease in inventories	6	2,250,186	(12,244,332)
(Decrease)/increase in trade payables	15	(2,829,678)	13,746,140
Cash generated by change in operating working capital		*13,707,468*	*(21,110,749)*
(Increase) decrease in other assets	4, 8	1,779,628	(3,676,325)
(Decrease)/increase in other liabilities	14,18	2,788,630	(65,745)
(Use) of current and non-current funds	13,17	(1,119,000)	(1,181,405)
(Decrease)/increase in current tax liabilities	27	(296,526)	(367,971)
Adjustments to other non-cash items		82	13,784
Income taxes paid		(208,000)	-
Interest received		9,991,034	9,888,510
Interest paid		(25,456,062)	(28,784,672)
Total cash generated by change in other items of net working capital		*(12,520,214)*	*(24,173,824)*
Net cash from /(used in) net working capital		*1,187,254*	*(45,284,572)*
Net cash from /(used in) operating activities		**26,940,428**	**(27,094,073)**
INVESTING ACTIVITIES			
(Purchase) of property, plant and equipment	1	(3,106,613)	(6,289,207)
Proceeds from the sale of property, plant and equipment	1	64,572	24,000
(Investments) in intangible assets	2	(9,664,060)	(8,988,805)
Net cash (out)/in flow on investements	3	-	(1,293,000)
Cash generated by merger of Eyestyle Retail Srl and Eyestyle.com Srl		-	93,105
Net cash from /(used in) investing activities		**(12,706,101)**	**(16,453,907)**
FINANCING ACTIVITIES			
Net increase (decrease) in bank borrowings	12.16	10,293,619	27,209,735
Loans granted			
- (Increase)	4, 9	(7,924,123)	-
- Decrease	4, 9	-	1,725,105
Loans taken out			
- New loans	12.16	5,500,000	66,698,079
- (Repayments)	12.16	(5,610,719)	(55,784,001)
Net cash from /(used in) financing activities		**2,258,777**	**39,848,918**
Net increase/(decrease) in cash and cash equivalents		**16,493,104**	**(3,699,063)**
Cash and cash equivalents at beginning of year		**15,180,066**	**18,879,129**
Cash and cash equivalents at end of year		**31,673,170**	**15,180,066**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF MARCOLIN S.P.A. FOR THE YEAR ENDED DECEMBER 31, 2016

Introduction

The share capital of Marcolin S.p.A.[15] (the "Company" or "Parent Company") is euro 32,312,475.00, fully paid-in, comprised of 61,458,375 ordinary shares, without par value. The share capital is wholly owned by the sole shareholder, Marmolada S.p.A., a single-member company based in Milan.

Marcolin shares have normal dividend rights and they continue to be encumbered by pledges. At the end of 2013, Marcolin issued bond notes, secured by collateral for the same amount of the obligations assumed with the bondholders, including a pledge over the shares of the Issuer, Marcolin, representing 100% of share capital.

As described in the Report on Operations under "Subsequent Events and Business Outlook", 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 (shall be subject to a *floor* of zero%) plus a 4.125% spread. Pursuant to the new bond issue, the previous bond notes backed by the aforementioned collateral were redeemed. The new bond issue involves other collateral, including a pledge over Marcolin S.p.A. shares, on the basis of the same pledge for the previous bond issue.

No changes occurred during the years ended December 31, 2015 and 2016 that changed the composition of share capital, which therefore is in line with the composition reported at December 31, 2015.

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15 Resulting from the 2013 restructuring reported in the 2013 Annual Report.

General Information

The explanatory notes set out below form an integral part of the separate financial statements of Marcolin S.p.A. and were prepared in accordance with the accounting documents updated to December 31, 2016.

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

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

Marcolin S.p.A. is incorporated under Italian law, listed in the Belluno Companies Register with n. 01774690273, and has shares that until February 14, 2013 were traded in Italy on the Mercato Telematico Azionario (electronic stock exchange) organized and managed by Borsa Italiana S.p.A.

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

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

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

The financial statements were authorized for issue by the Board of Directors on March 9, 2017.

ACCOUNTING STANDARDS

Basis of preparation

The 2016 financial statements were prepared according to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.
The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC), which at the date of approval of the separate financial statements had been authorized by the European Union according to Regulation (EC) no. 1606/2002, enacted by the European Parliament and European Council on July 19, 2002.

The accounting policies adopted to prepare the separate financial statements for the year ended December 31, 2016 are the same as those used in the prior year except as regards the adoption of the following new or revised IFRS or IFRIC.

New accounting standards and interpretations approved by the European Union and effective for periods beginning on or after January 1, 2016

Application of the following new IFRS standards and/or standards revised by the International Accounting Standards Board (IASB) and IFRIC interpretations became mandatory in 2016.

Description	Approval Date	Effective date of the standard
Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations)	*November 2015*	*January 1, 2016*
Amendments to IAS 16 and IAS 41: Bearer Plants	*November 2015*	*January 1, 2016*
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	*December 2015*	*January 1, 2016*
Amendments to IAS 1 (Presentation of Financial Statements) – Disclosure Initiative	*December 2015*	*January 1, 2016*
Amendments to IAS 27: Equity Method in Separate Financial Statements	*December 2015*	*January 1, 2016*
Annual Improvements to IFRSs 2012–2014 Cycle	*December 2015*	*January 1, 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	*September 2016*	*January 1, 2016*

The adoption of the accounting standards, amendments and interpretations listed in the table above did not have any material effects on Marcolin S.p.A.'s financial position or performance.

New accounting standards and interpretations approved by the European Union and effective for periods after December 31, 2016

On September 22, 2016 the European Union issued Regulation n. 2016/1905 approving IFRS 15 (Revenue from contracts with customers). The standard will be effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of the new standard on the separate financial statements.

On November 22, 2016 the European Union issued Regulation n. 2016/2067 approving IFRS 9 (Financial Instruments). The standard will be effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of the new standard on the separate financial statements.

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

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

Description	Effective date of the standard
IFRS 16 Leases)	*January 1, 2019*
Amendments to IAS 12 (Income taxes) – Recognition of Deferred Tax Assets for Unrealized Losses	*January 1, 2017*
Amendments to IAS 7 (Cash flow statement) – Disclosure	*January 1, 2017*
Amendments to IFRS 10 (Consolidated Financial Statements) and to IAS 28 (Investments in Associates and Joint Ventures): Sale or contribution of assets between an investor and its associate/joint venture	to be defined
Clarifications to IFRS 15 (Revenue from contracts with customers)	*January 1, 2018*
Amendments to IFRS 2 (Classification and measurement of share-based payment transactions)	*January 1, 2018*
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	*January 1, 2018*
Annual Improvements to IFRS 2014-2016 Cycle	*January 1, 2018*
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	*January 1, 2018*
Amendments to IAS 40: Transfers of Investment Property	*January 1, 2018*

No accounting standards and/or interpretations mandatorily effective for annual periods beginning after December 31, 2016 were adopted earlier.

The Company is evaluating the effects of the application of the above new standards, which currently are not considered to cause an impact.

The 2016 financial statements were prepared according to the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union.
Regulation no. 1606, enacted by the European Parliament and European Council in July 2002, provided for the compulsory application of IAS/IFRS to the accounts of companies listed on EU regulated markets starting from 2005.
The IFRS include all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the former Standing Interpretations Committee (SIC).
The accounting standards used are the same as those used in the previous year.

The financial statements were prepared on the basis of the going-concern assumption, the accrual basis of accounting and the historical cost basis, revised as required for the measurement of certain financial instruments (with the exception of some revaluations performed in previous periods).

The currency used in the primary economic environment in which the Company operates ("functional currency") is the Euro.

For the purpose of clarity, the amounts in the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and explanatory Notes are presented in thousands of Euros, unless specified otherwise.

Financial statement format and significant accounting policies

The Company adopted the following formats for the financial statements.

In summary:

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

In order to facilitate comparability, the data of the previous was restated as necessary, providing the related explanations thereof. For instance, as at December 31, 2016, the provision for returns has been reclassified from Current Provision to Trade Receivables, so the same reclassification has been made in the comparative figures as at December 31, 2015.

The significant accounting policies adopted to prepare the separate financial statements of Marcolin S.p.A. are as follows:

Property, plant, and equipment ("PP&E" or "tangible assets")

Property, plant, and equipment are recorded at their acquisition or production cost, inclusive of ancillary costs incurred to bring the assets to working condition for their intended use, excluding land and buildings for which the deemed cost model was used on the transition date or business combination date based on the market value determined through an appraisal performed by an independent qualified appraiser.

PP&E are stated net of depreciation except for land, which is not depreciated, and net of any impairment losses.

Costs incurred for routine and/or cyclical maintenance and repairs are recognized directly in the income statement of the period in which they are incurred. Costs concerning the extension, renovation or upgrading of owned or leased assets are capitalized to the extent that they can be separately classified as an asset or part of an asset. The carrying value is adjusted by depreciation using the straight-line method calculated on the basis of estimated useful life.

If the depreciable asset consists of distinctly identifiable components with useful lives that differ significantly from the other components of the asset, each component of the assets is depreciated separately, according to the component approach.

Profits and losses deriving from the sale of assets or groups of assets are determined by comparing the sale price with the relevant net book value.

Government grants relating to tangible assets are recorded as deferred revenues and credited to the income statement over the depreciation period for the assets concerned.

Finance costs relating to purchases of a fixed asset are charged to the income statement, unless they are directly attributable to the acquisition, construction or production of an asset which justifies capitalizing them.

Assets held under finance leases are recognized as tangible assets against the related liability. The lease payment is broken down into a finance cost, recognized in the income statement, and repayment of principal, recognized as a reduction of the relevant financial liability.

Leases in which the lessor does not transfer substantially all the risks and rewards incidental to legal ownership are classified as operating leases. Lease payments under operating leases are recognized in the income statement on a straight-line basis over the duration of the operating lease.

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

Category	Depreciation rate
Buildings	3%
Light structures	10%
General-purpose machinery	10%
General-purpose plastic machinery	10%
Depreciable equipment	40%
Special-purpose machines	16%
Special-purpose plastic machines	15.5%
Office furniture and furnishings	12%
Exhibition stands	27%
Electronic machines	20%
Non-instrumental vehicles	25%
Instrumental vehicles	20%

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

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

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

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

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

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

Investments in subsidiaries and associates
Investments in subsidiaries and associates are valued at acquisition cost net of any impairment losses.
If the reasons for writedowns made no longer apply, the equity investments are revalued to the extent of such writedowns.

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

Financial derivatives
Derivative financial instruments are used by the Company solely for hedging purposes, in order to reduce Company's exposure to currency risks.
All financial derivatives are measured at fair value, in compliance with IAS 39. Under IAS 39, financial derivatives qualify for hedge accounting only if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, the effectiveness of the hedge can be reliably measured and the hedge is highly effective throughout the financial reporting periods for which the hedge was designated.
If the hedge is effective, the following accounting policies apply:
Fair value hedge – If a financial derivative is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability due to a particular risk, and could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The hedged item is adjusted to fair value for the portion of risk hedged, and the adjustment is recognized in profit or loss;
Cash flow hedge – If a financial derivative is designated as a hedge of the exposure to the future cash flow variability of a recognized asset or liability, the effective portion of changes in fair value of the financial derivative is recognized directly in equity. The cumulative gain or loss is reversed from equity and recognized in profit or loss in the period in which the hedged transaction is recognized. The profit

or loss associated with a hedge (or part of a hedge) that has become ineffective is entered in the income statement immediately. If a hedged instrument or a hedging relationship is terminated, but the hedged transaction has not occurred yet, the cumulative gain or loss that has remained recognized in equity from the period when the hedge was effective is reclassified into profit or loss when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the related cumulative gain or loss that has remained recognized in equity is immediately recognized in the income statement.
If hedge accounting cannot be applied, the gains or losses arising on changes in the fair value of the financial derivative are recognized immediately in the income statement.

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

Fair value measurement assumes that a transaction to sell an asset or to transfer a liability takes place:

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

The principle market or most advantageous market must be accessible to the Company.
The fair value of an asset or liability is measured adopting assumptions that market participants would use to determine the price of the asset or liability, assuming that they act to best satisfy their economic interest.
Fair value measurement of a non-financial asset considers a market participant's capacity to generate economic benefits from the highest and best use of the asset or from the sale to another participant that can obtain its highest and best use.
The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Financial assets – Loans and receivables
Trade receivables, current loan receivables and other current receivables with fixed maturities, excluding those assets arising on financial derivatives and all financial assets for which prices on an active market are unavailable and whose fair value cannot be determined reliably, are stated at amortized cost calculated using the effective-interest method.
Financial assets without fixed maturities are stated at cost.
Receivables maturing after more than a year that do not accrue interest or that accrue interest at below-market rates are discounted using market rates and recognized as non-current assets. Reviews are carried out regularly to determine the presence of any objective evidence that the financial assets taken individually or within a group of assets may have suffered an impairment loss. If such evidence exists, the impairment loss is shown as a cost in the income statement for the period.
Trade receivables are adjusted to their realizable value by means of a provision for irrecoverable amounts when there are objective indications that the Company will not be able to collect the receivable at its original value.

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

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

Equity

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

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

Employee benefits
Post-employment benefit plans are classified, according to their characteristics, as either defined contribution plans or defined benefit plans.
Defined benefit plans, such as that of the "fondo trattamento di fine rapporto" ("TFR", severance indemnity provision) in place until the 2007 Italian Financial Law became effective, are plans under which guaranteed employee benefits are paid upon termination of employment. The defined benefit plan obligation is determined on the basis of actuarial assumptions and is recognized on an accruals basis consistently with the employment service necessary to obtain the benefits; the obligation is measured annually by independent actuaries.
The benefits accrued in the year, determined with actuarial methodology, are recognized in the income statement with the personnel costs, whereas the notional interest cost is recognized in net financial income/(costs). Actuarial gains and losses from changes in actuarial assumptions are recognized directly in the equity of the year they emerge, in accordance with Revised IAS 19, effective from January 1, 2013.

On January 1, 2007, the 2007 Financial Law and related enactment decrees brought significant changes to employee severance indemnity regulations, including the possibility for the employee to choose, by June 30, 2007, how to allocate his or her accruing benefits. New accruing severance indemnities may be assigned by the employee to selected pension funds or kept within the company (in the latter case the company will pay the severance pay contributions into a treasury account held at the INPS).
Pursuant to these changes, the severance indemnity provision accrued up to the date of the employee's decision (defined benefit plans) was recalculated by independent actuaries, excluding the component of future salary raises. Severance indemnities accruing from the date of the employee's decision, and in any case from June 30, 2007, are considered a defined contribution plan, so the accounting treatment is similar to that in effect for all other contribution payments.

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

Trade payables and other non-financial liabilities
Payables with settlement dates that are consistent with normal terms of trade are not discounted to present value and are recorded at their face value.

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

Revenues and income
Revenues are measured at their fair value net of returns, sales, discounts, allowances, and bonuses.
The Company recognizes net revenues when all risks and rewards of ownership of the goods are effectively transferred to the customers under the terms of the sales agreement. The revenues are recognized net of an allowance representing the best estimate of lost margin due to any product returns from customers. The allowance is calculated based on past experience.
Revenues are stated net of returns, discounts, vouchers, bonuses and taxes directly connected with the sale of the goods and supply of the services.
Revenues from services are recognized by reference to the state of completion of the transaction at the end of the reporting period.
Interest income is accrued on a time basis by reference to the effective interest rate applicable to the related asset.
Dividends are recognized when the shareholder’s rights to receive payment are established. This normally occurs when the dividend distribution resolution is approved at the General Meeting.

Cost of sales
The cost of sales includes the cost of producing or acquiring the goods and products sold. It includes all the costs of materials, processing, and expenses directly associated with production. It also

includes the depreciation of buildings, plant and equipment, the amortization of the intangible assets used in production and inventory impairment losses.

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

Other costs
The costs are recognized according to the relevance and matching principles.

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

Translation of foreign currency amounts
Transactions in currency other than the Euro are translated into local currency using the exchange rates in force on the transaction date. Foreign exchange differences realized in the period are recognized in the income statement.
Foreign currency receivables and payables are adjusted at the exchange rate in force on the reporting date, recognizing the entire amount of profit or loss arising on exchange as financial income or finance costs in the income statement.

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

Italian tax consolidation
Marcolin S.p.A., together with the parent company, Cristallo S.p.A. (absorbed through a reverse merger) and its subsidiaries Eyestyle Retail S.r.l. and Eyestyle.com S.r.l. (both of which were merged through absorption directly into Marcolin S.p.A. on December 1, 2015), had opted for the Italian tax consolidation regime for IRES (corporate income tax) purposes for 2013, 2014 and 2015, which recognized Marmolada S.p.A. as the parent company.
On June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 et seq of December 22, 1986, the ultimate parent company, 3 Cime S.p.A., notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.
Until December 31, 2016, the tax consolidation regime enabled 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.

FINANCIAL RISK FACTORS

Market risks

Marcolin S.p.A. operates in various markets throughout the world and thus is exposed to risks connected with fluctuations of foreign exchange rates and interest rates.
Exposure to currency risk arises from the different geographic locations of its manufacturing and commercial activities. The Company is primarily exposed to fluctuations of the U.S. dollar on supplies received from Asia and on sales conducted in U.S. dollars, and to a lesser extent to fluctuations of the British pound sterling.

Marcolin S.p.A.'s currency risk refers to transaction risk, generated by sales and costs incurred in currencies other than the euro, mainly the U.S. dollar for sales and sourcing goods from Asian suppliers. Although fluctuations of foreign exchange rates could affect the Company's profit or loss, we believe that the structure of revenues and expenses in foreign currency enable to maintain a natural hedge against the transactional risk, due to the fact that the amount of sales in foreign currency substantially corresponds to the amount of costs in foreign currency.
In the past, the Company used currency hedges (foreign exchange forward contracts), which were no longer stipulated in 2016 due to the natural hedge from which the Company benefits as a result of the current structure of revenues and expenses in foreign currency.

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

Interest rate risk

In 2013, the subscription of a euro 200 million bond issue with a fixed interest rate of 8.50% maturing in 2019, replacing pre-existing variable-rate loans, reduced considerably the Company's exposure to interest rate risk, which remains only on some short-term credit lines, for immaterial amounts, used by the Company to meet temporary cash flow requirements.

The section describing liquidity risk provides information on the quantitative analysis of the Company's exposure to cash flow risk relating to interest rates on loans.

Information on outstanding loans is provided subsequently herein.

Interest rate sensitivity analysis

Interest rate sensitivity analysis was performed, assuming a 25 basis-point increase and a 10 basis-point decrease of the Euribor/Swap yield curves, published by Reuters for December 31, 2016. In this manner, the Company determined the impact that such changes would have had on the income statement and on equity.
The sensitivity analysis excluded financial instruments that are not exposed to significant interest rate risk, such as short-term trade receivables and payables.
The interest on bank borrowings was recalculated using the above assumptions and the investment position in the year, recalculating the higher/lower annual finance costs.
For cash and bank balances, the average balance of the period was calculated using the book values at the beginning and end of the year. The effect on income of a 25 basis-point increase/10 basis-point decrease in the interest rate from the first day of the period was calculated on the amount thus determined.
According to the sensitivity analysis performed on the basis of the above criteria, the Company is exposed to interest rate risk on its expected cash flows. If interest rates should rise by 25 basis points, income would decrease by euro 120 thousand due to higher interest expense with banks and third parties with respect to the increase in financial income on intercompany loans and bank accounts.
If interest rates should fall by 10 basis points, income would increase by euro 48 thousand.

Credit risk

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

Receivables and other current assets are set forth below by the main areas in which the Company operates (the table not considered the provision for returns, classified within trade receivables).

Trade receivables by geographical area and other current assets *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	21,522	29,221
Rest of Europe	21,936	26,566
North America	8,982	23,534
Rest of World	25,822	23,969
Total	**78,262**	**103,290**

Liquidity risk

Prudent management of liquidity risk entails keeping a sufficient level of liquidity and having sources of funding available by means of adequate credit lines.
Due to the dynamic nature of its business, the Company prefers the flexibility of obtaining funding through the use of credit lines. At present, based on its available sources of funding and credit lines, the Company considers its access to funding to be sufficient for meeting the financial requirements of ordinary operations and for the investments envisioned in its business plans and budgets. See also the paragraph "Subsequent events and business outlook".
The types of credit lines available and the base rate on the reference date are reported subsequently in these Notes.

Liquidity analysis
Liquidity analysis was performed on loans, derivatives, and trade payables. Borrowings were specified by time bracket for principal repayments and non-discounted interest. Future interest amounts were determined using forward interest rates taken from the spot-rate curve published by Reuters at the end of the reporting period.
None of the cash flows included in the following table was discounted. The table also considers the financial position of the Group existing as at December 31, 2016, no considering the changes in the Group's indebtedness during the first months of 2017 as described in paragraph “Subsequent events and business outlook”.

(euro/000)	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**
Loans and bonds (excluding capital lease)	89,154	202,513	-	-
Interest expense on loans and bonds	17,230	34,080	-	-
Capital lease	253	522	87	-
Trade payables	109,384	-	-	-

Fair value measurement of loans
For the assessment of the fair value of loans secured, future cash flow was estimated on the basis of forward interest rate implicit in the interest rate relative to the valuation date and, as regards calculation of the coupon in progress, the most recent fixing available of the Euribor.
The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.

Borrowings-maturity *(euro/000)*	**Within 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Credit lines used	8,669	-	-	-	**8,669**
Loans	30,661	4,226	-	-	**34,887**
Other financiers	2,706	198,809	87	-	**201,603**
Intercompany	49,823	-	-	-	**49,823**
12/31/2016	**91,860**	**203,035**	**87**	**-**	**294,982**

USE OF ESTIMATES

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

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

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

Provision for doubtful debts
The provision for doubtful debts reflects management's estimates of future losses on trade receivables. The Group estimates the provision for doubtful debts on the basis of expected losses, determined according to knowledge of the customer, past experience for similar receivables, current and historic past-due receivables, losses and collected receivables, careful monitoring of credit quality and forecasts of economic and market conditions.

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

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

1. PROPERTY, PLANT, AND EQUIPMENT

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

Property, plant and equipment (*euro/000*)	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other PP & E**	**Assets under construction**	**Total**
Net value at beginning of 2015	**11,403**	**5,107**	**983**	**1,782**	**591**	**19,867**
Merger impact	94	7	**-**	184	**-**	**285**
Increases	2,031	3,398	1,362	690	28	**7,509**
Decreases	-	-	-	(24)	-	**(24)**
Depreciation	(588)	(1,312)	(1,008)	(617)	-	**(3,525)**
Reclassification and other movements	461	-	34	(34)	(571)	**(110)**
Net value at end of 2015	**13,401**	**7,200**	**1,371**	**1,981**	**48**	**24,001**
Net value at beginning of 2016	**13,401**	**7,200**	**1,371**	**1,981**	**48**	**24,001**
Increases	86	877	1,043	726	106	**2,839**
Decreases	-	(11)	(1)	(51)	-	**(63)**
Depreciation	(613)	(1,517)	(1,097)	(636)		**(3,864)**
Reclassification and other movements	-	16	-	-	(16)	**-**
Net value at end of 2016	**12,873**	**6,565**	**1,316**	**2,020**	**138**	**22,913**

The capital expenditures of the year totaled euro 2.839 million (euro 7.509 million in 2015) and consisted largely of purchases of:

- plant and machinery for euro 877 thousand;
- industrial and commercial equipment for euro 1.043 million;
- hardware and office furniture, included in other PP&E, for euro 726 thousand.

The undepreciated values of property, plant and equipment and their accumulated depreciation as at December 31, 2016 are shown in the following table:

Property, plant and equipment *(euro/000)*	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other PP & E**	**Assets under construction**	**Total**
Undepreciated value	22,197	22,443	15,349	6,968	138	67,096
Accumulated depreciation	(9,324)	(15,878)	(14,033)	(4,949)	-	(44,183)
Net value	**12,873**	**6,565**	**1,316**	**2,020**	**138**	**22,913**

The table related previous year is shown below:

Property, plant and equipement *(euro/000)*	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other PP & E**	**Assets under contrstruction**	**Total**
Undepreciated value	22,111	21,577	14,307	6,862	48	64,905
Accumulated depreciation	(8,711)	(14,377)	(12,936)	(4,881)	-	(40,904)
Net Value	**13,401**	**7,200**	**1,371**	**1,981**	**48**	**24,001**

2. INTANGIBLE ASSETS AND GOODWILL

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

Intangible assets and goodwill *(euro/000)*	**Software**	**Concessions, licenses and trademarks**	**Other**	**Intangible assets under formation and advances**	**Total**	**Goodwill**
Net value at beginning of 2015	**1,563**	**6,279**	**11,118**	**152**	**19,113**	**189,722**
Merger impact	**-**	**-**	1,423	**-**	**1,423**	**-**
Increases	1,035	-	3,525	3,084	**7,644**	-
Decreases	-	-		-	**-**	(3,496)
Amortization	(848)	(116)	(2,963)	-	**(3,927)**	-
Reclassification and other movements	167	-	(138)	(30)	**(1)**	-
Net value at end of 2015	**1,917**	**6,164**	**12,965**	**3,206**	**24,252**	**186,227**
Net value at beginning of 2016	**1,917**	**6,164**	**12,965**	**3,206**	**24,252**	**186,227**
Increases	1,890	-	2,096	3,164	**7,150**	-
Decreases	-	-	-	-	**-**	-
Amortization	(917)	(830)	(3,544)	-	**(5,291)**	-
Reclassification and other movements	159	-	375	(534)	**0**	-
Net value at end of 2016	**3,049**	**5,335**	**11,892**	**5,836**	**26,111**	**186,227**

The intangible assets include mainly the amounts recognized as a result of the 2013 merger, particularly the goodwill of originally euro 189.722 million. In the 2015 goodwill decreased by euro 3.496 million pursuant to the transfer of the Asia Pacific business division to Marcolin UK Ltd. As consideration, Marcolin UK Ltd assigned and issued to Marcolin S.p.A. a number of shares corresponding to the British pound equivalent of the value of assets transferred.

Goodwill was tested for impairment to evaluate whether its carrying value was consistent with its fair value at the reporting date.
The recoverable value of goodwill was estimated using the Company's value in use, taken as the enterprise value emerging from the application of the unlevered free cash flow method to the projected cash flows in a continuing operation.
The methods and sensitivity analysis used for the test results are described in the subsequent section on impairment testing.
The impairment test and sensitivity analysis results provided values consistent with the invested capital presented in the financial statements.
No shortages emerged from the sensitivity analysis; therefore, it is reasonable to conclude that the carrying value of goodwill in the Company's financial statements is consistent with its fair value, as the test did not require writing down the value of goodwill in Marcolin S.p.A.'s financial statements.

During the year investments of euro 7.150 million were made (euro 7.644 million in 2015), consisting of euro 1.890 million for software and the remainder referring mainly to payments made by the Company to some licensors.

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

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Undepreciated value	11,582	7,437	22,621	5,836	47,476	186,227
Accumulated depreciation	(8,533)	(2,102)	(10,729)	-	(21,365)	
Net value	**3,049**	**5,335**	**11,892**	**5,836**	**26,111**	**186,227**

The table related previous year is shown below:

Intangible assets and goodwill (euro/000)	Software	Concessions, licenses and trademarks	Other	Intangible assets under formation and advances	Total	Goodwill
Undepreciated value	9,533	7,437	20,150	3,206	40,326	186,227
Accumulated amortisation	(7,616)	(1,273)	(7,185)	-	(16,074)	
Net Value	**1,917**	**6,164**	**12,965**	**3,206**	**24,252**	**186,227**

Concessions, licenses and trademarks include the Web trademark.
This asset was obtained in late 2008 for euro 1.800 million after being appraised by an independent professional, and is amortized over an estimated useful life of 18 years.

Concessions, licenses and trademarks also include euro 5.0 million for an option, already exercised, that enabled the Company to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost is amortized over 7 years starting from 2016.

Impairment testing

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

The total goodwill of euro 290.902 million recognized in the Group's consolidated financial statements as at December 31, 2016, of which euro 186.227 million refers to the Parent Company, was tested for impairment to assess the fairness of the carrying amount as at the reporting date.

The Group's new organizational structure resulting from Viva International integration represents the full integration of all Viva structures into Marcolin; Viva's previous structures lost their identity in the integration process through acquisitions, mergers and business division transfers conducted within the vast international reorganization of the Group, which is now managed as a single unit coordinated by the Parent Company using a centralized model. For this reason goodwill was measured at a Group level.

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

The following assumptions were made to determine value in use:

- the cash-generating unit was identified in the entire Marcolin Group (cash flows from projected operating/financing activities of Marcolin S.p.A. and all its Italian and foreign subsidiaries) because the Group's organizational structure uses a centralized model headed by Marcolin S.p.A.;

- the main data sources used were: the draft financial statements for the year ended December 31, 2016, the 2017 Budget and the 2017 - 2020 business plan;
- the “terminal value” was calculated by capitalizing the available cash flow expected perpetually from 2020 (estimated on the basis of the last year in the business plan, given an increase in the "g" rate from the last year stated), assuming that it will grow at an annual "g" rate. This rate was assumed to be equal to 2.4%, conservatively considering the inflation projections for the countries in which Marcolin is present. The terminal value was adjusted to account for the Parent Company's transfer of the provision for severance indemnities;
- the cash flow discount rate (WAAC) is 9.0%, calculated in line with the Capital Asset Pricing Model (CAPM) used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 3.0%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 10.1%), weighted considering the source of the Group's main cash flows. Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

Based on the results of the analysis performed, goodwill did not suffer any impairment losses, since the value in use is significantly higher than the carrying amount as at December 31, 2016.

Moreover, sensitivity analysis was performed on the Group's enterprise value, determined with the previously described methods, assuming:
- changes in WAAC;
- changes in the g rate.

In this case, a half-percentage point increase in WAAC would result in a 7% decrease in the enterprise value (given the same g), whereas a half-percentage point decrease in the g rate would result in a 6% decrease in the enterprise value (given the same WAAC). Neither case would result in an impairment loss.

Finally, a stress test was performed assuming higher capital expenditures than those budgeted, and estimating possible cash outflows that the Group could incur to renew certain licenses upon their expiration. Neither case would result in an impairment loss.

Concessions, licenses and trademarks include the Web trademark. This asset, which was obtained in November 2008 for euro 1.8 million and whose purchase price was determined by an independent professional appraiser, is amortized over 18 years.

Concessions, licenses and trademarks also include euro 10.0 million for an option, already exercised, that enabled the Group to extend a licensing agreement beyond its expiration date (2015) to December 2022. This cost is amortized over 7 years starting from 2016.

3. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

Subsidiaries *(euro/000)*	**12/31/2015**	**Subscription/ disposal**	**Writedown of the year**	**12/31/2016**
Marcolin USA Eyewear Corp.	49,622	-	-	49,622
Marcolin UK Ltd	6,133	-	-	6,133
Marcolin do Brasil Ltda	-	7,931	(2,500)	5,431
Marcolin Iberica SA	3,268	-	-	3,268
Marcolin-RUS LLC	1,533	-	-	1,533
Marcolin Deutschland Gmbh	1,161	-	-	1,161
Ging Hong Lin International Co Ltd	1,000	-	-	1,000
Marcolin International B.V.	731	-	-	731
Marcolin Benelux Sprl	477	-	-	477
Eyestyle Trading (Shanghai) Co Ltd	397	-	-	397
Marcolin Gmbh	166	-	-	166
Marcolin Technical Services (Shenzhen) Co. Ltd	142	-	-	142
Marcolin Nordic AB	4	-	-	4
Marcolin Portugal Lda	-	-	-	-
Marcolin France Sas	-	-	-	-
Total	**64,634**	**7,931**	**(2,500)**	**70,064**

On May 9, 2016 Marcolin S.p.A. subscribed a capital contribution payment for subsidiary Marcolin do Brasil Ltda by way of waiving trade receivables of euro 7.931 million. As of December 31, 2016, the value of Marcolin do Brasil Ltda's equity was lower than the carrying amount of such subsidiary recognized by Marcolin S.p.A.. For this reason, management has performed a specific Impairment Test in order to compare the subsidiary's equity value with the carrying amount of the subsidiary in the Marcolin S.p.A. financial statement.

The recoverable amount of this asset was estimated using the equity value assumed as the enterprise value emerging from the application of the unlevered free cash flow method starting from the projected cash flows of the subsidiary.

The following assumptions were made to determine value in use:

- the main data sources used were: the draft financial statements for the year ended December 31, 2016, the 2017 Budget and the 2017 - 2020 business plan;
- the terminal value was calculated by capitalizing the cash flow expected perpetually from 2020 (estimated on the basis of the last year in the business plan, given an increase in the "g" rate from the last year stated), assuming that it will grow at an annual "g" rate. This rate was assumed to be equal to 4.5%, conservatively considering the Brasil inflation projections.
- the cash flow discount rate (WAAC) is 11.9%, calculated in line with the Capital Asset Pricing Model (CAPM) used for valuation in doctrine and in standard practice. This rate reflects current market estimates referring to: 1) the cost of capital for debt (Kd = 6.1%, after taxes); 2) the expected return on the risk capital invested in Marcolin (Ke = 13.1%). Weighted Kd/Ke was determined under the applicable accounting standards by considering the average financial structure of Marcolin's main comparables, assuming that the value of the entity's projected cash flows does not derive from its specific debt/equity ratio.

Based on the results of the analysis performed, an impairment losses of euro 2.500 million has occurred, reflected in Marcolin S.p.A financial statement as at December 31, 2016.

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

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

In this case, a half-percentage point increase in WAAC would result in a euro 122 thousand decrease in the equity value (given the same g), whereas a half-percentage point decrease in the g rate would result in a euro 466 thousand decrease in the equity value (given the same WAAC).

4. OTHER NON-CURRENT ASSETS

The other non-current assets, euro 291 thousand (euro 311 thousand in 2015), consist mainly of prepaid transaction costs for the euro 25 million senior revolving credit facility, deferred over the duration of the financing agreement.

5. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets were euro 122.185 million, compared to euro 119.116 million in 2015.

The 2016 amount consists of:

- euro 118.585 million in loans granted to subsidiary Marcolin USA, Inc. used to finance the December 3, 2013 acquisition of Viva Optique, Inc.;
- a loan granted to a third party with an outstanding balance of euro 4.290 million at December 31, 2016, accruing interest at market rates, whose repayment commenced on January 1, 2016, with semiannual installments until 2022. The current portion receivable, recognized among current financial assets, is euro 690 thousand.

The difference from the balance of the prior year is due to the reclassification of the current portion of the loan granted to a third party and to foreign exchange differences on the loan denominated in U.S. dollars granted to Marcolin USA Eyewear Corp.

6. INVENTORIES

The composition of other current assets is shown below.

Inventory *(euro/000)*	**12/31/2016**	**12/31/2015**
Finished goods	55,673	60,614
Raw material	14,702	13,091
Work in progress	17,618	16,831
Gross inventory	**87,993**	**90,535**
Inventory provision	(14,268)	(16,027)
Net inventory	**73,725**	**74,509**

Net inventories fell by euro 784 thousand from the previous year.
The fluctuation is attributable to a euro 2.542 million decrease in the gross inventory partially offset from euro 1.759 million decrease in the inventory impairment provision. As described in the Notes to the Consolidated Financial Statements, the reduced provision is the direct consequence of measures implemented by management from the previous year to streamline the product offer by downsizing the number of models produced and accelerating the sales periods for some models. This resulted in better quality inventories, enabling to reduce the writedown rate.

The inventory impairment provision provides adequate coverage for obsolete and slow-moving inventory, taking into account the composition of and possibility to sell such inventory.

In detail:

- the value of finished products fell by euro 4.941 million;
- the value of raw materials rose by euro 1.611 million;
- the value of work in progress rose by euro 788 thousand.

7. TRADE RECEIVABLES

The composition of the trade receivables is as follows:

Trade receivables *(euro/000)*	**12/31/2016**	**12/31/2015**
Gross trade receivables	71,731	94,276
Provision for bad debts	(1,924)	(1,903)
Net trade receivables	**69,807**	**92,374**
Provision for returns	(947)	(1,113)
Total trade receivables	**68,860**	**91,261**

trade receivables fell significantly from those of the previous year, as they were affected by measures taken by management to improve the average collection period, or "days sales outstanding" (DSO) with third-party customers and by more efficient management of financial accounts with Group companies.

The amount of receivables stated in the financial statements was not discounted, since there are no long-term receivables or receivables due beyond the short term.

For the purpose of providing the disclosures required by IFRS 7, the trade receivables due are set forth below by geographical area:

Trade receivables not overdue by geographical area *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	14,867	16,461
Rest of Europe	19,515	16,963
North America	8,233	14,151
Rest of World	19,057	15,896
Total	**61,672**	**63,472**

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

Ageing analysis of trade receivables not protested *(euro/000)*	Gross value	Provision	Net value
12/31/2015			
Not past due	63,472	-	63,472
Past due by less than 3 months	16,526	(197)	16,329
Past due by 3 to 6 months	5,323	(201)	5,122
Past due by more than 6 months	5,297	(562)	4,735
Total	**90,618**	**(960)**	**89,658**
12/31/2016			
Not past due	61,672	-	61,672
Past due by less than 3 months	2,946	(277)	2,669
Past due by 3 to 6 months	1,261	(353)	908
Past due by more than 6 months	4,700	(165)	4,535
Total	**70,579**	**(795)**	**69,784**

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

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

Trade receivables overdue but not impaired *(euro/000)*	12/31/2016	12/31/2015
Past due by less than 3 months	2,387	2,611
Past due by more than 3 months	1,226	1,066
Total	**3,612**	**3,677**

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

Ageing analysis of protested trade receivables *(euro/000)*	Gross value	Provision	Net value
12/31/2015			
Past due by less than 12 months	35	(22)	13
Past due by more than 12 months	1,058	(920)	138
Total	**1,093**	**(942)**	**151**
12/31/2016			
Past due by less than 12 months	43	(20)	23
Past due by more than 12 months	1,109	(1,109)	0
Total	**1,152**	**(1,129)**	**23**

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

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

Provision for doubtful debts *(euro/000)*	12/31/2016	12/31/2015
Opening amount	1,903	2,232
Provisions	300	200
Use/reversal	(279)	(410)
Reclassification and others	-	(120)
Total	**1,924**	**1,903**

Euro 300 thousand was allocated to the provision in the year, and euro 279 thousand of the provision was used.

The trade receivables due from directly and indirectly controlled subsidiaries are set forth below:

Receivables due from subsidiaries *(euro/000)*	12/31/2016	12/31/2015
Marcolin Deutschland Gmbh	1,058	2,224
Marcolin UK Ltd	2,211	1,375
Marcolin Iberica SA	2,043	1,973
Marcolin Gmbh	153	268
Marcolin Portugal Lda	932	1,576
Marcolin Benelux Sprl	426	255
Marcolin Asia Ltd	11	812
Marcolin do Brasil Ltda	6,338	8,320
Marcolin France Sas	7,386	13,106
Marcolin UK Hong Kong Branch	9,940	8,201
Marcolin USA Eyewear Corp.	8,649	22,542
Marcolin Nordic AB Sweden	1,932	1,381
Marcolin Nordic AB Denmark	442	132
Marcolin Nordic AB Finland	187	264
Marcolin Nordic AB Norway	460	271
Marcolin-RUS LLC	498	1
Gin Hon Lin Int. Co. Ltd	2,256	740
Shanghai Jinlin Optical Co. Ltd	-	419
Eyestyle Trading (Shanghai) Co Ltd	123	97
Viva Deutschland	93	285
Viva Eyewear UK Ltd	-	-
Viva Eyewear Hong Kong Ltd	17	16
Total	**45,155**	**64,258**

8. OTHER CURRENT ASSETS

The composition of other current assets is shown below.

Other current assets *(euro/000)*	12/31/2016	12/31/2015
Tax credits	4,092	7,196
Prepaid expenses	1,153	344
Other receivables	3,210	3,376
Total	**8,455**	**10,917**

This item, euro 8.455 million (euro 10.917 million in 2015), presents a decrease of euro 2.461 million from the prior year.

The tax credits consist mainly of VAT and taxes paid on account. The euro 3.105 million decrease is attributable primarily to less VAT credit.

"Prepaid expenses" consists mainly of prepaid insurance premiums and other costs for projects relating to 2017.

"Other receivables" consists primarily of amounts due from parent 3 Cime S.p.A. under the tax consolidation agreement in effect with that company. In 2014 Marcolin S.p.A. and Italian companies Eyestyle Retail Srl and Eyestyle.com Srl (the latter two companies were merged directly into Marcolin S.p.A. on December 1, 2015) adopted the Italian tax consolidation regime for corporate income tax (IRES) purposes, which recognizes 3 Cime S.p.A. as the ultimate parent company. The balance due from 3 Cime S.p.A. at December 31, 2016 is euro 2.466 million, compared to euro 3.285 million as at December 31, 2015. The decrease results from the recognition of tax consolidation expense as a result of Marcolin S.p.A.'s 2016 income subject to IRES, which reduced the tax consolidation credit recognized in previous years on accumulated losses.

9. CURRENT FINANCIAL ASSETS

This item, euro 18.513 million (compared to euro 7.890 million as at December 31, 2015), consists primarily of euro 17.823 million due from Group companies.

The main current loan receivables due to Marcolin S.p.A. by subsidiaries are listed below:

- euro 10.566 million from Marcolin U.S.A. Eyewear Corp.;
- euro 6.008 million from Marcolin Internation BV;
- euro 680 thousand from Marcolin Portugal Ltda;
- euro 359 thousand from Marcolin France Sas;
- euro 206 thousand from Marcolin Nordic AB;
- euro 4 thousand from Marcolin Deutschland GmbH.

The increase compared with previous year is related to the change of cash pooling balance based on daily financial demand of the subsidiaries of the Group.

In accordance with EEC IVth Directive 78/660 Article 43, paragraph 1 no. 13, it is confirmed that as at December 31, 2016 the accounts did not include any loans to members of administrative, management, or control bodies, nor any guarantee commitments to any members of administrative, management, or control bodies, directors or statutory auditors.

10. CASH AND BANK BALANCES

This item, which amounts to euro 31.673 million, represents the value of cash deposits and highly liquid financial instruments, i.e. those with a maturity of up to three months.
Cash and bank balances rose by euro 16.493 million from December 31, 2015. The increase is presented in the Statement of Cash Flows, which provides information on the 2016 movements in cash and bank balances.

11. EQUITY

Marcolin S.p.A.'s share capital is euro 32,312,475.00, composed of 61,458,375 ordinary shares.

The additional paid-in reserve of euro 24.517 million and the shareholders deposit in s/capital reserve of euro 46.108 million are related to shareholders' capital contribution made during fiscal year 2012 and 2013.

The legal reserve (euro 4.077 million as at December 31, 2016), doesn't achive the litimit established by the art. 2430 of italian Civil Code.

The other reserves amounts as at December 31, 2016 to euro -317 thousand. They are related to the merger impact on December 1, 2015 of Eyestyle Retail Srl and Eyestyle.com Srl in Marcolin S.p.A..

The actuarial reserve is retated to accounting in accordance with IAS 19 of TFR fund of Marcolin S.p.A..

The Statement of Changes in Equity provides more detailed information on this item.
The following table presents the composition of the Company's equity at December 31, 2016:

Item	**Amount**	**Possible use**	**Available portion**	**Uses in previous three years**	
				- loss coverage	**-other**
(euro/000)					
Share capital	32,312		-	-	-
Share premium reserve	24,517	A-B-C	24,517	-	-
Legal reserve	4,077	B	-	-	-
Other reserves	45,189		-	-	-
Retained earnings/ (losses)	104,140	A-B-C	104,140	-	-
Total	**210,237**		**128,658**	**-**	**-**
Non-distributable portion under Civil Code Art. 2426, comma 1 n. 5 c.c.			-		
Non-distributable portion under Civil Code Art. 2426, comma 1 n. 8 bis, c.c.			4,558		
Non-distributable portion under Civil Code Art. 2431			2,385		
Distributable portion			**121,714**		
Restricted portion under TUIR Art.109 paragraph 4/b			**-**		

Legend:
A – to increase share capital B - to cover losses C – to distribute to shareholders D – others

12. NON-CURRENT FINANCIAL LIABILITIES

The item amount at euro 203.122 million as at December 31, 2016 and it is related to bond notes for euro 198.287 million, accounted for in accordance with IAS 39 (amortized cost method), and loans from banks and other financiers, the non-current portion of which is euro 4.835 million.
The following table presents the composition of the Company's main financial liabilities:

	Currency	Original amount (euro)	Residual amount (1) (euro)	Maturity date	Interest rate	Notes
High yield bond	euro	200,000,000	200,000,000	11/14/2019	8.5%	Bond issued the 14th November 2013 - Half-yearly interests in 15th of May and 15th of November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro	30,000,000	25,000,000	06/03/2019	Euribor 1/2/3 months + spread	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 - signed the 18th November 2013 and other 5,000,000 signed the 15th July 2016
Unicredit S.p.A.	euro	5,000,000	2,500,000	12/31/2018	Euribor 3 months + spread	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015
Banca Popolare FriulAdria S.p.A.	euro	3,000,000	1,274,209	03/04/2018	Euribor 3 months + spread	Loan granted on March 4, 2015, repayable in 12 quarterly installments from June 4, 2015
Banco Popolare s.c.r.l.	euro	1,500,000	875,000	09/30/2018	Euribor 3 months + spread	Loan granted on September 16, 2015, repayable in 12 quarterly installments from December 31, 2015
Banca Popolare di Vicenza s.c.p.a.	euro	2,500,000	1,696,348	12/31/2018	Euribor 3 months + spread	Loan granted on December 23, 2015, repayable in 12 quarterly installments from March 31, 2016
Banca Popolare FriulAdria S.p.A.	euro	1,500,000	903,901	09/28/2017	Euribor 3 months + spread	Loan granted on June 23, 2016, repayable in 5 quartely from September 28, 2016
Banco Popolare s.c.r.l.	euro	3,000,000	2,700,000	03/31/2019	Euribor 3 months + spread	Loan granted on September 30, 2016, repayable in 10 quartely from December 31, 2016
BCC delle Prealpi Soc. Coop.	euro	1,000,000	917,199	11/09/2016	Euribor 6 months + spread	Loan granted on November 9, 2016, repayable in monthly rate from December 9, 2016
Total			**235,866,657**			

(1) Amounts recognized without considering the effect of the related expenses recorded by the amortized cost method

The net financial debt is set forth below. Additional information is provided in the Report on Operations.

Net financial debt *(euro/000)*	**12/31/2016**	**12/31/2015**
Cash and cash equivalents	31,673	15,180
Current and non-current financial assets	140,697	127,006
Current financial liabilities	(87,060)	(80,437)
Current portion of non-current financial liabilities	(4,800)	(3,548)
Non-current financial liabilities	(203,122)	(201,189)
Total net financial debt	**(122,611)**	**(142,989)**

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

Borrowings-maturity *(euro/000)*	Within 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Credit lines used	8,669	-	-	-	**8,669**
Loans	30,661	4,226	-	-	**34,887**
Other financiers	2,706	198,809	87	-	**201,603**
Intercompany	49,823	-	-	-	**49,823**
12/31/2016	**91,860**	**203,035**	**87**	**-**	**294,982**

In additional to the commitments described subsequently (see Note 20), for the revolving credit facility, commitments to comply with financial covenants exist at a consolidated level for Marcolin S.p.A. and its subsidiaries. According to an analysis conducted at the time of preparation of this Report, all the covenants were complied with as at December 31, 2016.

13. NON-CURRENT FUNDS

The composition of non-current provisions is shown below:

Non-current funds *(euro/000)*	Provision for severance employee indemnities	Provision for agency terminations	Other funds	Total
12/31/2014	**3,656**	**1,057**	**1,121**	**5,833**
Merger impact	4	-	-	**4**
Allowances	38	116	1,100	**1,254**
Use / reversal	(118)	(447)	(548)	**(1,113)**
Actuarial loss / (gain)	(134)	(48)	-	**(182)**
12/31/2015	**3,446**	**678**	**1,673**	**5,796**
Allowances	46	117	600	**763**
Use / reversal	(330)	(150)	(593)	**(1,073)**
Actuarial loss / (gain)	24	-	-	**24**
12/31/2016	**3,185**	**645**	**1,680**	**5,509**

The non-current funds consist primarily of the employee severance indemnity provision ("TFR") of euro 3.185 million.

The employee severance indemnity provision of euro 3.185 million[16] was measured with an actuarial calculation at the end of the year.[17]
The additional information required under Revised IAS 19 is provided hereunder:

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

[16] The provision consists of the benefits that accrued to employees until December 31, 2006 to be paid upon or subsequent to termination of employment: the TFR accruing from January 1, 2007 is treated as a defined contribution plan. By paying the contributions into (public and/or private) social security funds, the Company complies with all relevant obligations.

[17] The parameters used for the actuarial calculation are: 1) mortality rate: Table RG 48 of the Public Accounting Office; 2) disability rates: INPS table by age and gender; 3) personnel turnover rates: 5%; 4) frequency of severance payments: 2%; 5) discount/interest rate: 0.86%; 6) TFR growth rate: 2.63% for 2016, 2.9% for 2017, 2.8% for 2018, 2.7% for 2019, 3% for 2020 on; 7) inflation rate: 1.5% for 2016, 1.8% for 2017, 1.7% for 2018, 1.6% for 2019, 2% for 2020 on.

Sensitivity analysis	DBO * at 12/31/2016
Inflation rate +0,25%	3,237
Inflation rate - 0,25%	3,160
Actuarial rate +0,25%	3,137
Actuarial rate - 0,25%	3,261
Turnover rate +1%	3,178
Turnover rate -1%	3,220

* Defined Benefit Obligation

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

Next year service cost Vesting period	
2016 Service cost	-
Vesting period	8.40

- payments foreseen under the plan:

Years	Payments foreseen
1	349
2	241
3	204
4	208
5	339

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

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

14. OTHER NON-CURRENT LIABILITIES

This item consists primarily of security deposits due after 12 months from the reporting date.

15. TRADE PAYABLES

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

Trade payables by geographical area *(euro/000)*	**12/31/2016**	**12/31/2015**
Italy	36,205	35,273
Rest of Europe	18,139	19,876
North America	11,773	18,013
Rest of World	43,267	40,941
Total	**109,385**	**114,103**

The euro 4.718 million decrease in trade payables is mainly attributable to the decrease of the intercompany portion with subsidiaries as at December 31, 2016.

The trade payables were not subject to discounting, as the amount is a reasonable representation of their fair value since there are no payables due after 12 months.

In compliance with the disclosure requirements of IFRS 7, it is reported that on December 31, 2016 there were no past-due trade payables, excluding the accounts being disputed by the Company with suppliers.

16. CURRENT FINANCIAL LIABILITIES

The amount of current financial liabilities as at December 31, 2016 is euro 91.860 million and it is related to short term borrowings from bank (euro 39.330 million), other borrowings for euro 2.706 million and other financials liabilities from subsidiaries due within 12 months for euro 49.824 million.

The main current loan receivables by subsidiaries are listed below:

- euro 27.884 million due to Viva Eyewear UK Ltd;
- euro 7.981 million due to Marcolin UK Ltd-HK Branch;
- euro 4.960 million due to Marcolin UK Ltd;
- euro 3.295 million due to Marcolin Iberica SA;
- euro 2.540 million due to Marcolin France Sas;
- euro 1.613 million due to Marcolin Asia Ltd;
- euro 1.122 million due to Marcolin Deutschland GmbH;
- euro 308 thousand due to Marcolin Benelux Sprl;
- euro 121 thousand due to Viva eyewear HK Ltd.

Financial liabilities at fair value through profit and loss
As at December 31, 2016 Marcolin S.p.A. didn’t stipulated derivate contracts with banks.
During previous year this contracts were designated exclusively to hedge the risk of exchange rate variability on purchases from suppliers in U.S. dollars. They do not qualify for hedge accounting since they do not fully meet the strict requirements, including formal ones, of the applicable accounting standard.

17. CURRENT FUNDS

The table below presents the most significant changes of the year in the current funds:

Current funds *(euro/000)*	**Altri fondi**
12/31/2014	**1,187**
Use / reversal	(29)
12/31/2015	**1,158**
Use / reversal	(70)
12/31/2016	**1,088**

The other provisions consist of allowances for risks regarding:

- contingent liabilities arising from legal obligations (euro 84 thousand);
- commitments of euro 1.003 million to cover losses of subsidiaries.

The uses for the period refer to the contingent liabilities.

18. OTHER CURRENT LIABILITIES

The other current liabilities are as follows.

Other current liabilies *(euro/000)*	**12/31/2016**	**12/31/2015**
Payables to personnel	(6,891)	(4,195)
Social security payables	(2,160)	(1,979)
Other accrued expenses and deferred income	(50)	(50)
Total	**(9,101)**	**(6,224)**

The other current liabilities consist primarily of amounts due to personnel and the related social security contributions, and the amount did not change significantly from the prior year.

19. COMMITMENTS AND GUARANTEES

Guarantees associated with the bond issue

With a notarial deed dated October 31, 2013, the Board of Directors passed a resolution to issue non-convertible senior-secured notes; with a determination deed drawn up by a specifically designated director on November 7, 2013, and in implementation of the Board of Directors' mandate of October 31, 2013, the terms and conditions for the issuance of notes of nominal euro 200,000,000 were established.
The notes are secured by collateral provided by Marcolin S.p.A (the "Issuer"), controlling shareholder Marmolada S.p.A. and some subsidiaries of the Issuer for the exact amount of payment obligations assumed by the Issuer with the bondholders:

- a pledge over the shares of the Issuer representing 100% (one hundred percent) of share capital;
- a pledge over the Issuer's intellectual property rights;
- a security assignment over insurance policy receivables due to the Issuer;

- a security assignment over trade receivables due to the Issuer;
- a security assignment over receivables due to the Issuer by the former Marcolin USA, Inc. (now Marcolin USA Eyewear Corp.) originating from loans granted to provide the company with the financing necessary to pay the purchase price/acquire the share capital of Viva Optique Inc.;
- a pledge over all Marcolin (UK) Limited shares owned by the Issuer;
- a pledge over all Marcolin France S.a.s. shares owned by the Issuer;
- a pledge over all Marcolin (Deutschland) GmbH shares owned by the Issuer;
- a pledge over all the Issuer's shares of Marcolin U.S.A. Eyewear Corp (formerly Viva Optique Inc.), which on December 18, 2014 absorbed companies Marcolin USA Inc, Viva Europa Inc., Viva International Inc., and Viva Ip Corp, whose shares have all the previous pledges and security agreements assumed by Marcolin U.S.A. Eyewear Corp, i.e.:
    - a pledge over all Marcolin USA, Inc. shares owned by the Issuer;
    - a pledge over all Marcolin USA, Inc.'s shares of Viva Optique Inc., directly controlled by Marcolin USA, Inc.;
    - a pledge over 65% of the shares of Viva Europa Inc., controlled indirectly by the Issuer, through Viva Optique Inc.;
    - a pledge over 65% of the shares of Viva Eyewear Ltd (UK), controlled indirectly by the Issuer, through Viva Europa Inc.;
    - a security agreement over all material assets of Marcolin USA, Inc.;
    - a security agreement over all material assets of Viva Optique, Inc.;

As described in the Report on Operations under "Subsequent Events and Business Outlook", 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 (shall be subject to a *floor* of zero%) plus a 4.125% spread. Pursuant to the new bond issue, the previous bond notes backed by the aforementioned collateral were redeemed.

By the date of approval of this Annual Report, the guarantees on the previous bond notes had been replaced by those on the new notes issued in 2017, and the current guarantees are more restricted in scope than those given on the previous bond notes.

Other commitments:

The Company's other commitments are as follows:

Commitments *(euro/000)*	**12/31/2016**	**12/31/2015**
Rent due		
Within one year	180	180
In one to five years	720	720
After five years	-	180
Total	**900**	**1,080**

The Company also has guarantees with third parties of euro 40 thousand (euro 152 thousand in 2015).

Licenses

The Company has contracts in effect to use trademarks owned by third parties for the production and distribution of eyeglass frames and sunglasses.
Those contracts require payment of guaranteed minimum royalties over the duration of the contracts; at December 31, 2016 these future commitments amounted to euro 226.546 million (euro 229.570 million in 2015), including euro 51.038 million falling due within the next year.

Guaranteed minimum Royalties due *(euro/000)*	**12/31/2016**	**12/31/2015**
Within one year	51,038	46,174
In one to five years	134,620	147,844
After five years	40,888	35,552
Total	**226,546**	**229,570**

INCOME STATEMENT

As described in the Report on Operations, the balances partly include non-recurring costs incurred for special initiatives undertaken or pursued during the year, such as extraordinary costs for employees who left the company, consulting services and services associated with the non-recurring transactions of the year, and costs of investment and development that have not been matched by revenue streams yet.
The effects of those costs are described in the Report on Operations in order to take them into account for the purpose of determining normalized income for 2016, duly compared with 2015.

The Company's main income statement items and changes therein are described in this section.

20. NET REVENUES

The following table sets forth the 2016 net net revenues of by geographical area:

Net Revenues by geographical area						
	2016		**2015**		**Change**	
(euro/000)	**euro**	**% of total**	**euro**	**% of total**	**euro**	**%**
Italy	31,726	*13.6%*	26,929	*13.1%*	*4,797*	*17.8%*
Rest of Europe	75,625	*32.5%*	62,078	*30.2%*	*13,547*	*21.8%*
Europe	107,351	46.1%	89,007	43.3%	18,343	20.6%
Americas	46,417	19.9%	43,586	21.2%	2,831	6.5%
Asia	26,650	11.4%	26,683	13.0%	(33)	(0.1)%
Rest of World	52,588	22.6%	46,383	22.6%	6,205	13.4%
Total	**233,006**	**100.0%**	**205,659**	**100.0%**	**27,347**	**13.3%**

The 2016 net revenues were euro 233.006 million, compared to the euro 205.659 revenues of 2015, up by the considerable amount of euro 27.347 million (13.3%) from the prior year.
The Report on Operations describes the 2016 performance of sales.

21. COST OF SALES

Below is a detailed breakdown of the cost of sales:

Costo of sales *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of product	121,972	52.3%	109,316	53.2%
Cost of personnel	8,784	3.8%	8,628	4.2%
Amortization, depreciation and writedowns	3,127	1.3%	2,694	1.3%
Other costs	4,241	1.8%	6,117	3.0%
Total	**138,124**	**59.3%**	**126,756**	**61.6%**

The cost of sales rose by euro 11.369 million, and was 59.3% of sales, compared to 61.6% in 2015.

The other expenses refer principally to purchasing costs (transport and customs) and business consulting services.

22. DISTRIBUTION AND MARKETING EXPENSES

Below is a breakdown of the distribution and marketing expenses:

Distribution and marketing expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of personnel	10,773	4.6%	9,663	4.7%
Commissions	3,859	1.7%	3,698	1.8%
Amortization, depreciation and writedowns	4,937	2.1%	3,976	1.9%
Royalties	28,726	12.3%	22,674	11.0%
Advertising and PR	22,895	9.8%	23,049	11.2%
Other costs	6,713	2.9%	11,593	5.6%
Total	**77,903**	**33.4%**	**74,654**	**36.3%**

Distribution and marketing expenses rose by euro 3.249 million (4.4%) from the previous year; the increase is mainly the result of higher royalty expense.
The other expenses consist primarily of sales expenses, including transport costs, travel expenses, rent expense and entertainment expenses.

23. GENERAL AND ADMINISTRATION EXPENSES

The general and administrative expenses are set forth below:

General and administrative expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Cost of personnel	5,770	2.5%	5,348	2.6%
Writedown of receivables	300	0.1%	200	0.1%
Amortization, depreciation and writedowns	1,091	0.5%	781	0.4%
Other costs	5,106	2.2%	4,128	2.0%
Total	**12,267**	**5.3%**	**10,457**	**5.1%**

General and administration expenses increased by euro 1.810 million compared to the previous year.

Other expenses, euro 5.106 million (down by euro 978 thousand year on year), refer mainly to:

- compensation for Directors, Statutory Auditors and the independent auditing firm;
- other general and administrative consulting services;
- expenses regarding the Company's information technology systems.

24. EMPLOYEES

The 2016 end-of-period and average number of employees (including the work force on temporary contracts) is broken down below in comparison with the previous year:

Employees	**Final number**		**Average number**	
Category	**12/31/2016**	**12/31/2015**	**2016**	**2015**
Managers	13	15	13	15
Staff	292	275	289	261
Manual workers	533	530	532	510
Total	**838**	**820**	**834**	**786**

25. OTHER OPERATING INCOME AND EXPENSES

The other operating income and expenses are set forth below:

Other operating income and expenses *(euro/000)*	**2016**	**% of net revenues**	**2015**	**% of net revenues**
Other income	13,178	5.7%	15,910	7.7%
Other expenses	(2,604)	-1.1%	(3,472)	-1.7%
Total	**10,574**	**4.5%**	**12,438**	**6.0%**

The balance of this item is net operating income of euro 10.574 million, compared to net operating income of euro 12.438 million for 2015 (an increase of euro 636 thousand).
Other income consists mainly of euro 12.024 million in advertising expenses incurred by the Company and charged to other Group companies, compared to euro 11.251 million in 2015.
The other costs is related for euro 2.500 millionto the write-off of the investment in Marcolin Do Brasil Ltda (the previous year write off was euro 3.403 million). Additional information is provided in section 3, "Investments in Subsidiaries and Associates", of these Notes.

26. FINANCIAL INCOME AND COSTS

The financial income and costs are set forth below:

Financial income and costs *(euro/000)*	**2016**	**2015**
Financial income	21,016	27,140
Financial costs	(31,388)	(30,283)
Total	**(10,372)**	**(3,142)**

The composition of financial income and finance costs is shown below:

Financial income *(euro/000)*	**2016**	**2015**
Interest income from subsidiaries	9,983	9,822
Other interest income	8	67
Gains on currency exchange	11,025	17,252
Total	**21,016**	**27,140**

Financial costs *(euro/000)*	**2016**	**2015**
Interest expense	(25,456)	(21,036)
Financial discounts	(402)	(240)
Losses on currency exchange	(5,529)	(9,006)
Total	**(31,388)**	**(30,283)**

Financial income and costs result in net finance costs of euro 10.372 million, compared to euro 3.142 million for 2015.

Marcolin S.p.A.'s financial balance show income of euro 21.016 million and costs of euro 31.388 million. These are classified in two differet caregories: financial income and costs and currency exchange.

Financial income and costs relate to:

- interest income of euro 9.983 million from Group companies related to loans granted to subsidiaries and other interest income for euro 8 thousand granted from others.
- interest expense of euro 25.456 million, of which euro 17.0 million related to the bond notes issued by Marcolin S.p.A., paid semiannually in May and November; the reversal of bond issue transaction costs, accounted for under IFRS with the financial method of amortized cost; euro 2.640 million net interest costs referred to bank interest expense and actualization differences;
- financial discounts granted to customers for euro 402 thousand.

With reference to exchange rate gains and losses the total amount is positive for some euro 5.496 million in 2016 compared to euro 8.246 million in 2015. The amount is composed as follows:

- Exchange rate gains for some euro 11.025 million, related to realized and not realized translation differences, whose decrease compared to previous year is mainly due to the lesser revaluation of USD dollar (the revaluation in 2016 was +3,2% compare to the revaluation in 2015 of + 10,3%) caused the different adjustment of financial assets (accounted in US Dollar) between Marcolin S.p.A. and Marcolin USA Eyewear Corp.
- Exchange rate losses for some euro 5.529 million, related realized and not realized translation differences. The decrease compared to previous year is mainly due to lesser revaluation of USD Dollar that allowed to reduce the negative impact of exchange rate losses mainly generated by the procurement from foreign suppliers.

There were no currency hedges (on purchases and sales) in place as at December 31, 2016. Fair value measurement of currency hedges in place at the end of the previous year had resulted in a net gain of euro 74 thousand.

27. INCOME TAX EXPENSE

Current tax was determined by applying the tax rates in force to taxable income (profit for the year determined with the changes generated by the applicative tax rules).

Income taxes are euro 1.198 million, including current taxes of euro 741 thousand, deferred taxes of euro 573 thousand, tax consolidation expense of euro 682 million and tax referring to the previous period of euro 348 thousand.

Income tax expense *(euro/000)*	**2016**	**2015**
Current taxes	(741)	(596)
Deferred taxes	573	(3,871)
Income/(Expenses) from Tax Consolidation	(682)	(476)
Taxes relating to prior year	(348)	(751)
Total income tax expense	**(1,198)**	**(5,694)**

As noted, on June 13, 2014, pursuant to the Italian Income Tax Code ("TUIR"), Presidential Decree no. 917, Article 117 *et seq.* of December 22, 1986, the ultimate parent company, 3 Cime S.p.A., notified the Italian Revenue Agency of its adoption of the Italian tax consolidation regime with its subsidiaries, including Marcolin S.p.A., for 2014, 2015 and 2016. Accordingly, the tax consolidation in effect in 2013 was replaced with an identical agreement with 3 Cime S.p.A., which involved terminating the previous agreement and stipulating a new agreement for the new three-year period.

The tax consolidation agreement that expired on December 31, 2016 has allowed 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.

The reconciliation of the income tax expense for the year is reconciled with the theoretical tax burden in the following table:

Tax rate reconciliation *(euro/000)*		**12/31/2016**
Results before tax		**4,914**
Theoretical taxes	27.5%	(1,351)
IRAP and other	15.1%	(741)
Higher taxes due to non-deductible costs	23.1%	(1,135)
Lower taxes for non-taxable income	(9.7%)	477
Taxes relating to prior year	7.1%	(348)
Impact of tax change rates on deferred taxation	4.3%	(212)
Activation of deferred tax assets unrecognised previous years	(43.0%)	2,112
Total income taxe expense	**24.4%**	**(1,198)**

The deferred taxes and changes for the year are set forth below:

Deferred tax assets *(euro/000)*	**Temporary differences 12/31/2016**	**Tax rate (*)**	**Tax on tamporary differences 12/31/2016**	**Temporary differences 12/31/2015**	**Tax rate (*)**	**Tax on tamporary differences 12/31/2015**
Accumulated tax losses	759	24.0%	182	13,664	27.5%	3,780
Inventory provisions	10,783	24.0%/27.9%	2,588	12,219	27.5%/31.4%	3,423
Grants and compensation deductible on a cash	17,288	24.0%/27.9%	4,393	8,385	27.5%/31.4%	2,433
Unrealized currency exchange differences	2,363	24.0%	567	2,004	27.5%	552
Income from CFC (controlled foreign companies	2,098	24.0%	504	2,098	27.5%	504
Taxed provision for doubtful debts	1,155	24.0%	277	1,436	27.5%	350
Supplementary client indemnity provision	392	27.9%	108	538	31.4%	145
Provision for return risks	947	27.9%	264	1,113	31.4%	349
Provisions for risks and charges	85	27.9%	22	155	31.4%	49
Other	419	24.0%/27.9%	104	280	27.5%/31.4%	77
Total deferred tax assets	**36,289**		**9,009**	**41,891**		**11,662**
Deferred tax liabilities *(euro/000)*	**Temporary differences 12/31/2016**	**Tax rate (*)**	**Tax on tamporary differences 12/31/2016**	**Temporary differences 12/31/2015**	**Tax rate (*)**	**Tax on tamporary differences 12/31/2015**
Unrealized currency exchange differences	(6,922)	24.0%	(1,661)	(12,408)	27.5%	(3,412)
Finance costs deducted on a cash basis	(1,713)	24.0%	(411)	(6,703)	27.5%	(1,658)
Land and buildings	(2,420)	27.9%	(676)	(2,672)	31.4%	(754)
Actuarial gain / losses on TFR under IAS	62	24.0%	15	(598)	27.5%	16
Total deferred tax liabilities	**(10,993)**		**(2,734)**	**(22,382)**		**(5,808)**
Total deferred assets / liabilities	**25,295**		**6,276**	**19,510**		**5,854**

(*) some tax effect are calculated considering the low er tax rate for italian tax IRES at the rate of 24%, starting from January 1, 2017.

The balance of deferred tax assets and liabilities presented in the Statement of Financial Position differs by euro 422 thousand from the balance of euro 573 thousand shown in the Income Statement due to the following reasons:

- Deferred tax recognition on amounts accounted for in equity, for euro 5 thousand;
- Euro 176 thousand adjustment to deferred taxes pursuant to the preparation of the tax return in 2016;
- Use of deferred tax assets on accumulated tax losses of euro 366 thousand as part of the fine adjustment commensurate with the parent company Marcolin S.p.A. following the conclusion of a tax assessment in reference to the fiscal years 2011-2013, which was reached to adhesion with the Inland Revenue dated November 11, 2016;
- Other items for euro -34 thousand.

28. FINANCIAL INSTRUMENTS BY TYPE

The financial instruments are set forth by uniform category in the table below, which presents their fair value in accordance with IFRS 7.
For the fair value measurement of loans, future cash flows were estimated using implicit forward interest rates from the yield curve of the reporting date, and the latest Euribor fixing was used to calculate the current coupon.
The values calculated in this manner were discounted based on discount factors related to the different maturities of such cash flows.
The hedging agreements used are classified as O.T.C. (over-the-counter) instruments, so they do not have a public price available on official exchange markets. Discounted cash flow models were used to measure the interest rate swaps.

Categories of financial assets *(euro/000)*	**Trade receivables**	**Financial assets**	**Cash and cash equivalents**
2016			
Loans and other financial receivables	68,860	140,697	31,673
Financial assets at fair value through P&L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	**68,860**	**140,697**	**31,673**

Categories of financial assets *(euro/000)*	**Trade receivables**	**Financial assets**	**Cash and cash equivalents**
2015			
Loans and other financial receivables	92,374	127,006	15,180
Financial assets at fair value through P/L	-	-	-
Held to maturity investments	-	-	-
Financial assets available for sale	-	-	-
Total	**92,374**	**127,006**	**15,180**

Categories of financial liabilities *(euro/000)*	**Trade payables**	**Financial liabilities**	**Bond**
2016			
Financial liabilities at fair value through P&L	-	-	-
Derivatives used for hedging	-	-	-
Other financial liabilities and amortized cost	109,384	93,380	198,287
Liabilities as under IAS 17	-	862	-
Total	**109,384**	**94,242**	**198,287**

Categories of financial liabilities *(euro/000)*	**Trade payables**	**Financial liabilities**	**Bond**
2015			
Financial liabilities at fair value through P/L	-	-	-
Derivatives used for hedging	-	-	-
Other financial liabilities at amortized cost	114,103	88,507	195,552
Liabilities as under IAS 17	-	1,116	-
Total	**114,103**	**89,623**	**195,552**

INCOME AND EXPENSES WITH SUBSIDIARIES AND ASSOCIATES

The intercompany transactions are mainly of a trade and/or financial nature and are conducted on an arm's length basis.

The income and expenses with directly controlled subsidiaries are set forth below:

Company (euro/000)	Revenues for sales and services	Other income	Financial income from non-current assets	Financial expenses for non-current liabilities	Cost of row, ancillary and consumable material and products	Cost of services	12/31/2016
Marcolin Asia Ltd.	0	0	-	27	21	1,192	(1,241)
Marcolin (Deutschland) GmbH	5,424	177	-	25	(5)	61	5,519
Marcolin GmbH	676	63	-	-	(1)	51	688
Marcolin Iberica S.A.	8,965	368	-	59	(77)	323	9,029
Marcolin Benelux S.p.r.l.	3,446	167	-	6	(12)	126	3,492
Marcolin Portugal Lda	1,835	92	-	1	(11)	31	1,906
Marcolin (UK) Ltd	6,922	338	-	81	(5)	140	7,044
Marcolin International BV	-	-	54	-	-	-	54
Marcolin France SAS	22,101	1,377	-	57	(83)	858	22,645
Marcolin do Brasil Ltda	4,351	191	-	-	-	54	4,488
Marcolin Nordic AB Denmark	783	34	-	-	-	2	816
Marcolin Nordic AB Finland	372	40	-	-	-	12	400
Marcolin Nordic AB Norway	820	112	-	-	-	13	919
Marcolin Nordic AB Sweden	986	81	7	-	(0)	4	1,069
Eyestyle Trading (Shanghai) Co Ltd	225	-	-	-	-	-	225
Marcolin Uk Hong Kong Branch	23,585	93	-	115	755	355	22,454
Gin Hon Lin International Co. Ltd	3,336	169	-	-	(10)	-	3,514
Shanghai Ginlin Optics Co. Ltd	-	-	-	-	-	-	-
Marcolin Usa Eyewear Corp.	43,236	370	9,715	12	368	2,557	50,384
Marcolin-RUS LLC	2,234	-	-	-	-	20	2,214
Marcolin Technical Services (Shenzhe	-	-	-	-	-	427	(427)
Viva Deutschland Gmbh	391	3	-	-	-	-	394
Viva Eyewear UK Ltd	-	-	-	370	-	-	(370)
Viva Eyewear HK Ltd	-	-	-	79	-	-	(79)
Total	**129,688**	**3,674**	**9,776**	**831**	**941**	**6,227**	**135,138**

RELATED-PARTY TRANSACTIONS

Related party transactions were of a trade nature, conducted on an arm's length basis, and regarded licensing agreements in particular.
The transactions and outstanding balances with respect to related parties as at December 31, 2016 are shown below, as required by IAS 24.

Company *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Other related parties					
Tod's S.p.A	1,530	560	750	277	Related party
Pai Partners Sas	75	2	75	-	Related party
Famiglia Coffen Marcolin	616	0	155	-	Related party
O.T.B. Group	3,428	50	195	25	Related party
3 Cime S.p.A.	-	-	-	3,118	Consolidating
Total	**5,648**	**612**	**1,175**	**3,420**	

The same table is set forth for 2015:

Company *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Other related parties					
Tod's S.p.A	2,268	597	916	236	Related party
Pai Partners Sas	-	2	81	-	Related party
Coffen Marcolin Family	664	0	42	-	Related party
O.T.B. Group	2,451	243	1,701	11	Related party
3 Cime S.p.A.	-	-	-	3,285	Consolidating
Total	**5,383**	**842**	**2,739**	**3,532**	

The remuneration of the Directors and Statutory Auditors is reported below (the table does not present Managers with strategic responsibilities because they are included in the category of the Company's Directors).

	2016			2015		
(euro/000)	Board of Directors	Statutory Auditors	Other	Board of Directors	Statutory Auditors	Other
Base fee	415	100	-	389	100	-
Salaries and benefits	753	-	-	668	-	-
Total	**1,168**	**100**	**-**	**1,057**	**100**	**-**

Atypical and unusual transactions

In 2016 there were no atypical and/or unusual transactions, including with other Group companies, nor were there any transactions outside the scope of the ordinary business activity that could significantly impact the financial position, financial performance or cash flows of Marcolin S.p.A.

Significant non-recurring events and transactions

For more details about significant non-recurring events and transactions that impacted the Company's financial position, financial performance and cash flows in 2016 see the Report of Operation, particularly at the comment about economic indicators.

INDEPENDENT AUDITORS' REPORT

ON THE SEPARATE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the sole shareholder of
Marcolin SpA

Report on the financial statements

We have audited the accompanying financial statements of Marcolin SpA (hereinafter the "Company"), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Marcolin SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Marcolin SpA, with the financial statements of the Company as of 31 December 2016. In our opinion, the report on operations is consistent with the financial statements of Marcolin SpA as of 31 December 2016.

Bologna, 24 March 2017

PricewaterhouseCoopers SpA

Signed by
Edoardo Orlandoni
(Partner)

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

BOARD OF STATUTORY AUDITORS' REPORT

BOARD OF STATUTORY AUDITORS' REPORT FOR THE GENERAL MEETING OF MARCOLIN S.P.A. PURSUANT TO CIVIL CODE ARTICLE 2429, PARAGRAPH 2

For the attention of the Sole Shareholder, MARMOLADA S.p.A.

Dear Sir/Madam,
The external audit of the accounts for each of the three years ending December 31, 2013, 2014 and 2015 has been assigned to PricewaterhouseCoopers S.p.A. (the "Independent Auditors"), in accordance with Italian Legislative Decree 39/2010, Article 14 and Italian Civil Code Articles 2409-*bis et seq.*, and pursuant to the justified proposal of this Board of Statutory Auditors for the period from December 31, 2016 to December 31, 2018.
The Board of Directors has provided us with the report on operations and draft financial statements for the year from January 1, 2016 to December 31, 2016, showing a profit of euro 3,715,706, approved on March 09, 2016.
During the year ended on December 31, 2015, we performed the supervisory duties required by law, in observance of the provisions issued by Consob and also in accordance with the Board of Statutory Auditors' code of conduct recommended by the Italian association of certified accountants.
With respect to our supervisory duties, we report that:

- we attended the Board of Director meetings and verified the observance of the principles of fair management, laws and by-laws, and the correct use of the proxies assigned to the Directors;
- the Board of Statutory Auditors attended the General Meetings, which were held in observance of the law to pass appropriate resolutions;
- the Company's Board of Statutory Auditors held 6 meetings during the year to perform the statutory controls and to exchange information with the firm responsible for the external audit;
- we obtained the information necessary to perform our general supervisory function by constantly participating in Board of Director meetings and by meeting with management. We also obtained from the Directors, on a regular basis, information on the activities performed by the executive directors in execution of the powers assigned to them, on the most significant business, financial and equity transactions, on related-party transactions including infra-group transactions, and on any atypical or unusual transactions, in accordance (as necessary) with Italian Legislative Decree 58/1998, Article 150, paragraph 1. This took place in keeping with the Company's specific corporate governance procedure to ensure that Directors and Statutory Auditors have at their disposal all information needed to ensure the correct fulfillment of their duties. Based on the information obtained, we verified that the main operations carried out by the Company were consistent with the business purpose and with the law and by-laws, and we can confirm that those operations were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;
- during the Board of Director meetings we were given periodic and timely information on the activity performed by the Company and the Subsidiaries, and on the most significant business, financial and equity transactions, and we verified that those transactions were consistent with the business purpose and with the law and by-laws, and were not manifestly risky, hazardous, such as to compromise the integrity of the Company's net worth, or in contrast to the decisions taken at the General Meeting or in conflict of interest;
- during the year we met regularly with the Independent Auditors and with other heads of functions; no matters worthy of note emerged from the meetings;
- we found no evidence of atypical or unusual transactions as defined in Consob Communication 6064293 of July 28, 2006;
- we verified that there are no routine intercompany or related-party transactions that are in conflict of the Company's interest or inconsistent; the intercompany and related-party transactions are described adequately by the Directors in the Report on Operations and in the explanatory notes; all such transactions were carried out on an arm's length basis;
- the Company applied the principles regarding procedures that companies must adopt to ensure the necessary conditions of fairness in the process of carrying out transactions with related parties;
- we evaluated, as within our competence, the adequacy of the Company's organizational structure, internal control system, administrative and accounting systems, and their reliability to accurately

represent business matters, by collecting information from department heads, by meeting with the Independent Auditors with the reciprocal exchange of data and information, and by attending Internal Audit Committee meetings, and given the business activity and the size of the Company, we deem the organization and systems to be adequate;

- we monitored the implementation of organizational measures associated with business developments;
- we checked the Company's observance of the law and by-laws.

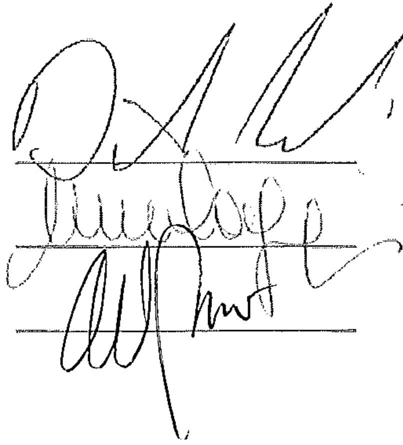
We inspected and obtained information about the organizational and procedural activities implemented by the Company and its subsidiaries in accordance with Italian Legislative Decree 231/01 on the administrative liability of entities for the crimes contemplated by such legislation (and as subsequently amended). The Supervisory Body reported on the activity performed during the year ended December 31, 2016, without finding any wrongdoing or specific violations of the Company's and the subsidiaries' Organizational Model.

As noted, PricewaterhouseCoopers S.p.A. audited the Company's separate financial statements for the year ended December 31, 2016 and on March 24, 2017 it submitted an unqualified opinion, stating that the Company's separate financial statements for the year ended December 31, 2016 "give a true and fair view of the financial position, results of operations and cash flows of Marcolin S.p.A for the year ended December 31, 2016". The Independent Auditors also state that the report on operations is consistent with the separate financial statements of the Company. The Board of Statutory Auditors performed its supervisory function with the full collaboration of the corporate boards and adequate documentation was always provided. No omissions, wrongdoing or irregularities were found.
We checked the accounting policies of the separate financial statements, upon which we agree in that they correspond to the Italian Civil Code rules and are consistent with those applied in the previous year. Intangible assets were recognized and amortized with our consent, as necessary.

On March 09, 2017 the Board of Directors of MARCOLIN S.p.A. approved the draft consolidated financial statements of MARCOLIN Group for the year ended December 31, 2016; those financial statements, drawn up according to IAS/IFRS, were also audited by PricewaterhouseCoopers S.p.A., which on March 24, 2017 issued a clean opinion on the true and fair view of the financial position, results of operations and cash flows of the group.
The Independent Auditors state that the report on operations is consistent with the consolidated financial statements of MARCOLIN S.p.A. As within our competence, we acknowledge that the Directors' report on the consolidated financial statements describes adequately the situation of the companies of the group, the financial and business matters, the subsequent events, the annual business performance and the business outlook for the current year.
We reviewed the report to verify compliance with Italian Legislative Decree 127/1991, Article 40, the correct identification of the consolidated companies in accordance with the international accounting standards, and the information as per Article 39 of the same Decree.
On the basis of the controls performed, the Board of Statutory Auditors considers the report on operations to be correct and consistent with the consolidated financial statements.
The explanatory notes contain the information required by the international accounting standards, present the accounting principles and policies adopted, and present the consolidation methods, which correspond to those used for the previous year.
No claims were made to the Board of Statutory Auditors under Italian Civil Code Article 2408 or of any other nature.
During the year we issued the opinions requested of the Board of Statutory Auditors in accordance with the law.
In consideration of the foregoing, pursuant to the supervisory activity performed, and on the basis of the information exchanged with the Independent Auditors, we are in favor of the approval of the financial statements and we agree with the Board of Directors' proposal to destine the profit of the period as follows:

- to Legal Reserve for total amount of euro 3,715,706;
- to carry forward for the residual amount.

March 24, 2017



Dr. David Reali

Dr. Mario Cognigni

Rag. Diego Rivetti

FINANCIAL SUMMARY OF SUBSIDIARIES

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin Benelux Sprl (EUR/000)		Marcolin International BV (EUR/000)		Marcolin do Brasil Ltda (BRL/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	53	62	-	-	1,088	1,276
Intangible assets	2	3	-	-	1,202	1,218
Goodwill	-	-	-	-	7,609	7,609
Investments in subsidiaries and associates	-	-	4,516	4,516	-	-
Deferred tax assets	-	-	-	-	2,478	-
Other non-current assets	-	-	-	-	-	-
Non-current financial assets	-	-	-	-	152	152
Total non-current assets	**56**	**65**	**4,516**	**4,516**	**12,528**	**10,255**
CURRENT ASSETS						
Inventories	347	282	-	-	14,761	10,537
Trade receivables	583	631	5,350	-	22,947	23,708
Other current assets	60	40	-	-	7,050	5,411
Current financial assets	308	146	-	-	-	-
Cash and cash equivalents	35	67	6	6	1,543	1,332
Total current assets	**1,333**	**1,167**	**5,356**	**6**	**46,301**	**41,535**
TOTAL ASSETS	**1,389**	**1,231**	**9,872**	**4,522**	**58,829**	**51,790**
EQUITY	**600**	**543**	**3,838**	**(1,419)**	**10,611**	**(22,102)**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	-	-	941
Non-current funds	-	-	-	-	962	998
Deferred tax liabilities	-	-	-	-	4,369	-
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	-	-	-	**-**	**5,331**	**1,940**
CURRENT LIABILITIES						
Trade payables	465	391	26	17	41,664	66,278
Current financial liabilities	-	-	6,008	5,924	-	2,256
Current funds	-	-	-	-	0	2
Tax liabilities	44	44	-	-	788	562
Other current liabilities	279	253	-	-	436	2,307
Total current liabilities	**789**	**688**	**6,034**	**5,941**	**42,888**	**71,952**
TOTAL LIABILITIES	**789**	**688**	**6,034**	**5,941**	**48,219**	**73,892**
TOTAL LIABILITIES AND EQUITY	**1,389**	**1,231**	**9,872**	**4,522**	**58,829**	**51,790**

	Marcolin Benelux Sprl (EUR/000)		Marcolin International BV (EUR/000)		Marcolin do Brasil Ltda (BRL/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Net revnues	6,476	5,934	-	-	34,521	32,894
Cost of sales	(3,673)	(3,020)	-	-	(19,599)	(20,581)
GROSS PROFIT	**2,803**	**2,914**	**-**	**-**	**14,922**	**12,313**
Distribution and marketing expenses	(2,483)	(2,567)	-	-	(16,351)	(16,271)
General and administrative expenses	(191)	(202)	(39)	(44)	(6,444)	(2,368)
Other operating income/(expenses)	59	106	5,396	-	119	(15)
OPERATING INCOME – EBIT	**187**	**250**	**5,357**	**(44)**	**(7,754)**	**(6,341)**
Financial income and costs	(71)	(70)	(101)	(54)	11,345	(16,261)
PROFIT (LOSS) BEFORE TAXES	**116**	**180**	**5,257**	**(98)**	**3,590**	**(22,602)**
Income tax expense	(59)	(77)	-	-	(2,672)	(1,264)
NET PROFIT (LOSS) FOR THE PERIOD	**57**	**103**	**5,257**	**(98)**	**918**	**(23,865)**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin Gmbh (CHF/000)		Marcolin Deutschland GmbH (EUR/000)		Eyestyle Trading Shanghai Co (CNY/000)	
	2016	2015	2016	2015	2016	2015
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	9	11	33	11	-	-
Intangible assets	1	2	-	-	-	-
Goodwill	-	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Non-current financial assets	-	-	-	-	-	-
Total non-current assets	**10**	**14**	**33**	**11**	**-**	**-**
CURRENT ASSETS						
Inventories	96	123	508	676	132	214
Trade receivables	303	206	327	1,679	2,965	3,598
Other current assets	2	2	105	135	83	119
Current financial assets	-	-	1,117	1,614	3,426	-
Cash and cash equivalents	121	342	353	417	856	2,041
Total current assets	**523**	**693**	**2,411**	**4,722**	**7,463**	**5,971**
TOTAL ASSETS	**533**	**706**	**2,444**	**4,733**	**7,463**	**5,971**
EQUITY	**254**	**244**	**1,164**	**1,486**	**5,386**	**4,444**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	-	-	-
Non-current funds	-	-	-	282	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**282**	**-**	**-**
CURRENT LIABILITIES						
Trade payables	189	346	1,231	2,633	897	687
Current financial liabilities	-	-	-	-	-	-
Current funds	1	2	-	-	-	-
Tax liabilities	(4)	26	(213)	(363)	707	732
Other current liabilities	93	68	261	493	472	109
Total current liabilities	**279**	**463**	**1,279**	**2,965**	**2,076**	**1,527**
TOTAL LIABILITIES	**279**	**463**	**1,279**	**3,247**	**2,076**	**1,527**
TOTAL LIABILITIES AND EQUITY	**533**	**706**	**2,444**	**4,733**	**7,463**	**5,971**

	Marcolin Gmbh (CHF/000)		Marcolin Deutschland GmbH (EUR/000)		Eyestyle Trading Shanghai Co (CNY/000)	
	2016	2015	2016	2015	2016	2015
Net revnues	1,694	2,186	9,743	8,540	4,341	6,559
Cost of sales	(651)	(949)	(5,546)	(3,850)	(1,694)	(1,932)
GROSS PROFIT	**1,043**	**1,237**	**4,198**	**4,690**	**2,647**	**4,627**
Distribution and marketing expenses	(843)	(1,026)	(3,813)	(4,330)	(19)	-
General and administrative expenses	(212)	(185)	(339)	(353)	(1,033)	(1,711)
Other operating income/(expenses)	49	40	82	129	(0)	0
OPERATING INCOME – EBIT	**36**	**67**	**127**	**136**	**1,595**	**2,917**
Financial income and costs	(26)	(23)	(278)	(170)	125	47
PROFIT (LOSS) BEFORE TAXES	**10**	**43**	**(151)**	**(33)**	**1,720**	**2,964**
Income tax expense	-	-	(171)	92	(430)	(302)
NET PROFIT (LOSS) FOR THE PERIOD	**10**	**43**	**(322)**	**59**	**1,290**	**2,662**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin Iberica SA (EUR/000)		Marcolin France Sas (EUR/000)		Marcolin Asia Ltd (HKD/000)	
	2016	2015	2016	2015	2016	2015
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	96	98	343	405	97	245
Intangible assets	3	5	933	1,031	-	-
Goodwill	-	-	1,191	1,191	-	-
Investments in subsidiaries and associates	-	-	-	-	-	-
Deferred tax assets	33	33	1,119	1,278	44	(311)
Other non-current assets	-	-	-	-	466	543
Non-current financial assets	-	-	-	-	-	-
Total non-current assets	**132**	**135**	**3,585**	**3,906**	**606**	**477**
CURRENT ASSETS						
Inventories	651	464	827	943	-	-
Trade receivables	4,431	4,062	3,280	6,867	37,874	46,066
Other current assets	86	140	461	431	1,936	881
Current financial assets	3,295	1,491	1,996	4,211	13,184	13,246
Cash and cash equivalents	65	98	139	836	180	511
Total current assets	**8,528**	**6,369**	**6,703**	**14,344**	**53,174**	**60,704**
TOTAL ASSETS	**8,660**	**6,505**	**10,289**	**18,250**	**53,780**	**61,181**
EQUITY	**3,911**	**3,505**	**2,044**	**2,203**	**8,251**	**53,114**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	736	-	-
Non-current funds	125	125	-	-	214	209
Deferred tax liabilities	-	-	-	-	-	(43)
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	**125**	**125**	**-**	**736**	**214**	**166**
CURRENT LIABILITIES						
Trade payables	2,711	2,403	6,369	12,264	44,023	7,656
Current financial liabilities	-	-	-	-	-	-
Current funds	(0)	-	267	268	-	-
Tax liabilities	1,559	126	554	472	-	(1,304)
Other current liabilities	354	230	1,054	1,251	1,292	1,549
Total current liabilities	**4,624**	**2,875**	**8,244**	**15,310**	**45,315**	**7,901**
TOTAL LIABILITIES	**4,749**	**3,000**	**8,244**	**16,046**	**45,529**	**8,067**
TOTAL LIABILITIES AND EQUITY	**8,660**	**6,505**	**10,289**	**18,250**	**53,780**	**61,181**

	Marcolin Iberica SA (EUR/000)		Marcolin France Sas (EUR/000)		Marcolin Asia Ltd (HK$/000)	
	2016	2015	2016	2015	2016	2015
Net revnues	13,561	11,459	34,920	32,979	184	25,852
Cost of sales	(7,845)	(5,893)	(20,387)	(16,719)	(13,240)	(28,031)
GROSS PROFIT	**5,716**	**5,566**	**14,533**	**16,259**	**(13,056)**	**(2,179)**
Distribution and marketing expenses	(5,190)	(5,173)	(12,674)	(15,391)	(384)	(4,884)
General and administrative expenses	(418)	(376)	(1,831)	(1,661)	(2,350)	(3,703)
Other operating income/(expenses)	452	107	208	513	16,902	21,532
OPERATING INCOME – EBIT	**560**	**123**	**237**	**(280)**	**1,111**	**10,766**
Financial income and costs	(19)	199	(237)	(546)	(2,643)	(1,377)
PROFIT (LOSS) BEFORE TAXES	**541**	**322**	**(0)**	**(826)**	**(1,531)**	**9,389**
Income tax expense	(135)	(100)	(159)	-	403	(1,549)
NET PROFIT (LOSS) FOR THE PERIOD	**406**	**222**	**(159)**	**(826)**	**(1,128)**	**7,840**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin Portugal Lda (EUR/000)		Marcolin UK Ltd (GBP/000)		Marcolin-RUS LLC (RUB/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	14	18	27	62	123	784
Intangible assets	1	1	1,900	1,885	-	-
Goodwill	-	-	4,821	4,241	-	-
Investments in subsidiaries and associates	-	-	-	-	-	-
Deferred tax assets	-	-	63	4	-	-
Other non-current assets	-	-	69	57	-	-
Non-current financial assets	-	-	-	-	-	-
Total non-current assets	**14**	**19**	**6,880**	**6,250**	**123**	**784**
CURRENT ASSETS						
Inventories	94	109	247	2,017	141,623	118,750
Trade receivables	1,630	1,420	12,592	9,969	32,180	37,529
Other current assets	15	23	141	128	8,791	4,839
Current financial assets	(680)	5	11,080	1,303	-	-
Cash and cash equivalents	107	161	1,422	2,442	15,341	1,066
Total current assets	**1,166**	**1,718**	**25,482**	**15,858**	**197,936**	**162,184**
TOTAL ASSETS	**1,180**	**1,737**	**32,362**	**22,108**	**198,059**	**162,969**
EQUITY	**128**	**57**	**12,341**	**7,454**	**155,872**	**139,969**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	1,133	-	-
Non-current funds	-	-	6	6	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	19	13,500
Total non-current liabilities	**-**	**-**	**6**	**1,139**	**19**	**13,500**
CURRENT LIABILITIES						
Trade payables	1,075	1,648	16,236	11,778	32,641	1,742
Current financial liabilities	-	-	1,395	125	-	-
Current funds	-	-	0	0	(0)	-
Tax liabilities	(24)	13	1,845	1,038	277	264
Other current liabilities	1	18	539	574	9,250	7,494
Total current liabilities	**1,052**	**1,680**	**20,016**	**13,515**	**42,168**	**9,500**
TOTAL LIABILITIES	**1,052**	**1,680**	**20,021**	**14,654**	**42,187**	**23,000**
TOTAL LIABILITIES AND EQUITY	**1,180**	**1,737**	**32,362**	**22,108**	**198,059**	**162,969**

	Marcolin Portugal Lda (EUR/000)		Marcolin UK Ltd (GBP/000)		Marcolin-RUS LLC (RUB/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Net revnues	2,931	2,481	47,725	30,519	357,850	348,088
Cost of sales	(1,785)	(1,354)	(33,313)	(18,570)	(211,125)	(224,466)
GROSS PROFIT	**1,147**	**1,127**	**14,412**	**11,949**	**146,725**	**123,622**
Distribution and marketing expenses	(905)	(888)	(8,377)	(8,495)	(107,438)	(89,522)
General and administrative expenses	(160)	(172)	(1,355)	(1,797)	(30,520)	(37,163)
Other operating income/(expenses)	18	6	304	977	3,061	278
OPERATING INCOME – EBIT	**99**	**73**	**4,983**	**2,868**	**11,829**	**(2,786)**
Financial income and costs	(28)	(25)	(326)	(83)	10,113	8,330
PROFIT (LOSS) BEFORE TAXES	**71**	**48**	**4,657**	**2,785**	**21,943**	**5,545**
Income tax expense	-	-	(886)	(510)	(6,039)	(3,145)
NET PROFIT (LOSS) FOR THE PERIOD	**71**	**48**	**3,772**	**2,275**	**15,903**	**2,400**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin USA Eyewear Corp. (USD/000)		Viva Eyewear UK Ltd (GBP/000)		Viva Eyewear Hong Kong Ltd (HKD/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	1,771	1,970	-	-	-	-
Intangible assets	21,267	18,556	-	-	-	-
Goodwill	109,313	109,313	-	-	-	-
Investments in subsidiaries and associates	30,725	30,909	11	11	-	2,522
Deferred tax assets	26,591	25,968	-	-	-	-
Other non-current assets	-	80	-	-	-	-
Non-current financial assets	161	137	-	-	-	-
Total non-current assets	**189,828**	**186,933**	**11**	**11**	**-**	**2,522**
CURRENT ASSETS						
Inventories	50,033	43,917	-	-	-	-
Trade receivables	28,256	34,677	5,931	5,759	-	14,293
Other current assets	895	2,642	-	-	-	239
Current financial assets	(9,664)	3,562	23,874	13,692	6,425	39,626
Cash and cash equivalents	6,375	14,564	12	2,243	244	530
Total current assets	**75,895**	**106,641**	**29,816**	**21,695**	**6,668**	**54,688**
TOTAL ASSETS	**265,723**	**293,574**	**29,827**	**21,705**	**6,668**	**57,210**
EQUITY	**73,620**	**75,242**	**28,872**	**21,493**	**4,821**	**54,365**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	125,216	126,231	-	-	-	-
Non-current funds	1,623	2,434	-	-	-	-
Deferred tax liabilities	5,362	7,254	-	-	-	-
Other non-current liabilities	37	6,032	-	-	-	-
Total non-current liabilities	**132,239**	**141,950**	**-**	**-**	**-**	**-**
CURRENT LIABILITIES						
Trade payables	41,372	53,092	27	47	82	70
Current financial liabilities	15,251	12,116	569	-	-	-
Current funds	(0)	0	-	-	-	-
Tax liabilities	118	432	358	160	1,220	1,876
Other current liabilities	3,122	3,463	(0)	6	546	900
Total current liabilities	**59,864**	**76,383**	**954**	**212**	**1,848**	**2,845**
TOTAL LIABILITIES	**192,102**	**218,333**	**954**	**212**	**1,848**	**2,845**
TOTAL LIABILITIES AND EQUITY	**265,723**	**293,574**	**29,827**	**21,705**	**6,668**	**57,210**

	Marcolin USA Eyewear Corp. (USD/000)		Viva Eyewear UK Ltd (GBP/000)		Viva Eyewear Hong Kong Ltd (HKD/000)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Net revnues	202,675	210,220	-	-	453	(708)
Cost of sales	(91,878)	(85,954)	-	0	-	-
GROSS PROFIT	**110,797**	**124,266**	**-**	**0**	**453**	**(708)**
Distribution and marketing expenses	(91,139)	(97,648)	-	20	-	19
General and administrative expenses	(11,858)	(15,275)	115	(2)	(339)	(759)
Other operating income/(expenses)	2,478	5,393	5,553	135	4,093	-
OPERATING INCOME – EBIT	**10,277**	**16,735**	**5,668**	**153**	**4,207**	**(1,448)**
Financial income and costs	(13,563)	(13,228)	2,068	36	612	165
PROFIT (LOSS) BEFORE TAXES	**(3,286)**	**3,507**	**7,736**	**189**	**4,819**	**(1,282)**
Income tax expense	1,665	(3,400)	(387)	(17)	-	-
NET PROFIT (LOSS) FOR THE PERIOD	**(1,621)**	**107**	**7,349**	**173**	**4,819**	**(1,282)**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Viva Canada Inc (CAD/000)		Gin Hong Lin Int. Co. Ltd Hong Kong (HKD/000)		Shanghai Ginlin Optics Co. Ltd (CNY/000)	
	2016	2015	2016	2015	2016	2015
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	-	564	-	-	36	22
Intangible assets	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Investments in subsidiaries and associates	-	-	17,153	17,153	-	-
Deferred tax assets	-	-	-	-	215	-
Other non-current assets	-	-	-	-	-	-
Non-current financial assets	-	-	-	-	-	-
Total non-current assets	**-**	**564**	**17,153**	**17,153**	**251**	**22**
CURRENT ASSETS						
Inventories	-	-	-	-	21,602	10,075
Trade receivables	-	1,641	19,246	4,714	18,679	11,419
Other current assets	-	18	-	-	2,746	2,516
Current financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	812	258	3,561	2,851	7,245
Total current assets	**-**	**2,470**	**19,504**	**8,275**	**45,877**	**31,255**
TOTAL ASSETS	**-**	**3,034**	**36,657**	**25,428**	**46,128**	**31,276**
EQUITY	**-**	**2,992**	**16,981**	**15,509**	**16,759**	**19,146**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	-	-	-
Non-current funds	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	-	**-**	-	**-**	-	**-**
CURRENT LIABILITIES						
Trade payables	-	42	19,855	8,705	17,755	7,602
Current financial liabilities	-	-	-	-	9,803	-
Current funds	-	-	-	-	-	-
Tax liabilities	-	0	(179)	-	(1,929)	792
Other current liabilities	-	-	-	1,213	3,740	3,737
Total current liabilities	**-**	42	**19,676**	**9,919**	**29,369**	**12,131**
TOTAL LIABILITIES	**-**	**42**	**19,676**	**9,919**	**29,369**	**12,131**
TOTAL LIABILITIES AND EQUITY	**-**	**3,034**	**36,657**	**25,428**	**46,128**	**31,276**

	Viva Canada Inc (CAD/000)		Gin Hong Lin Int. Co. Ltd Hong Kong (HKD/000)		Shanghai Ginlin Optics Co. Ltd (CNY/000)	
	2016	2015	2016	2015	2016	2015
Net revnues	(0)	7,667	32,324	9,340	40,208	38,542
Cost of sales	(3)	(3,340)	(29,435)	(8,482)	(22,066)	(16,092)
GROSS PROFIT	**(3)**	**4,327**	**2,889**	**859**	**18,142**	**22,450**
Distribution and marketing expenses	(15)	(4,166)	(999)	(969)	(17,411)	(13,966)
General and administrative expenses	(139)	(874)	(357)	(1,518)	(2,183)	(2,352)
Other operating income/(expenses)	369	-	(0)	1	1	-
OPERATING INCOME – EBIT	**212**	**(713)**	**1,533**	**(1,626)**	**(1,451)**	**6,133**
Financial income and costs	(3)	3,496	(28)	173	(895)	256
PROFIT (LOSS) BEFORE TAXES	**210**	**2,783**	**1,505**	**(1,453)**	**(2,345)**	**6,389**
Income tax expense	-	-	(33)	-	-	(1,597)
NET PROFIT (LOSS) FOR THE PERIOD	**210**	**2,783**	**1,472**	**(1,453)**	**(2,345)**	**4,792**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Marcolin Technical Services (Shenzhen) Co. Ltd (CNY/000)		Marcolin Nordic AB Sweden (SEK/000)		Viva Deutschland Gmbh (EUR/000)	
	2016	2015	2016	2015	2016	2015
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	3	-	66	420	-	-
Intangible assets	-	-	275	409	-	-
Goodwill	-	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	99	99
Deferred tax assets	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-
Non-current financial assets	-	-	-	-	-	-
Total non-current assets	**3**	**-**	**340**	**828**	**99**	**99**
CURRENT ASSETS						
Inventories	-	-	1,873	2,475	278	421
Trade receivables	1,531	-	17,905	7,990	46	181
Other current assets	10	-	409	750	-	-
Current financial assets	-	-	-	-	-	-
Cash and cash equivalents	506	1,000	2,042	2,884	201	90
Total current assets	**2,046**	**1,000**	**22,229**	**14,100**	**525**	**692**
TOTAL ASSETS	**2,049**	**1,000**	**22,569**	**14,928**	**623**	**790**
EQUITY	**1,695**	**1,000**	**(16,509)**	**(12,182)**	**139**	**203**
LIABILITIES						
NON-CURRENT LIABILITIES						
Non-current financial liabilities	-	-	-	-	-	-
Non-current funds	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**
CURRENT LIABILITIES						
Trade payables	-	-	30,940	20,127	209	314
Current financial liabilities	-	-	1,974	1,889	-	-
Current funds	-	-	-	-	-	-
Tax liabilities	1	-	3,780	1,279	43	37
Other current liabilities	353	-	2,384	3,814	233	236
Total current liabilities	**354**	**-**	**39,078**	**27,110**	**485**	**587**
TOTAL LIABILITIES	**354**	**-**	**39,078**	**27,110**	**485**	**587**
TOTAL LIABILITIES AND EQUITY	**2,049**	**1,000**	**22,569**	**14,928**	**623**	**790**

	Marcolin Technical Services (Shenzhen) Co. Ltd (CNY/000)		Marcolin Nordic AB Sweden (SEK/000)		Viva Deutschland Gmbh (EUR/000)	
	2016	2015	2016	2015	2016	2015
Net revnues	-	-	58,576	33,055	1,357	2,293
Cost of sales	(4,150)	-	(29,091)	(20,104)	(681)	(1,183)
GROSS PROFIT	**(4,150)**	**-**	**29,485**	**12,952**	**676**	**1,110**
Distribution and marketing expenses	(209)	-	(31,436)	(23,337)	(482)	(765)
General and administrative expenses	(324)	-	(2,096)	(1,727)	(23)	(25)
Other operating income/(expenses)	5,783	-	493	-	15	53
OPERATING INCOME – EBIT	**1,100**	**-**	**(3,554)**	**(12,112)**	**186**	**373**
Financial income and costs	32	-	(494)	(306)	(23)	(105)
PROFIT (LOSS) BEFORE TAXES	**1,132**	**-**	**(4,048)**	**(12,418)**	**163**	**268**
Income tax expense	(270)	-	-	-	(50)	(90)
NET PROFIT (LOSS) FOR THE PERIOD	**862**	**-**	**(4,048)**	**(12,418)**	**114**	**178**

RECLASSIFIED FINANCIAL STATEMENTS OF SUBSIDIARIES

	Viva Schweiz AG (CHF/000)		Viva Eyewear Brillenvertriebs Gmbh (EUR/000)	
	2016	**2015**	**2016**	**2015**
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	-	-	-	-
Intangible assets	-	-	-	-
Goodwill	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-
Deferred tax assets	-	-	-	-
Other non-current assets	-	-	-	-
Non-current financial assets	-	-	-	-
Total non-current assets	**-**	**-**	**-**	**-**
CURRENT ASSETS				
Inventories	6	22	5	22
Trade receivables	16	1	27	4
Other current assets	1	0	8	-
Current financial assets	-	-	-	-
Cash and cash equivalents	229	269	33	21
Total current assets	**252**	**292**	**73**	**47**
TOTAL ASSETS	**252**	**292**	**73**	**47**
EQUITY	**235**	**268**	**57**	**49**
LIABILITIES				
NON-CURRENT LIABILITIES				
Non-current financial liabilities	-	-	-	-
Non-current funds	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other non-current liabilities	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**
CURRENT LIABILITIES				
Trade payables	5	6	(2)	(7)
Current financial liabilities	-	-	-	-
Current funds	-	-	-	-
Tax liabilities	12	18	14	30
Other current liabilities	-	-	5	(25)
Total current liabilities	**17**	24	**17**	(2)
TOTAL LIABILITIES	**17**	**24**	**17**	**(2)**
TOTAL LIABILITIES AND EQUITY	**252**	**292**	**73**	**47**

	Viva Schweiz AG (CHF/000)		Viva Eyewear Brillenvertriebs Gmbh (EUR/000)	
	2016	**2015**	**2016**	**2015**
Net revnues	278	369	149	175
Cost of sales	(70)	(97)	(57)	(68)
GROSS PROFIT	**208**	**272**	**92**	**107**
Distribution and marketing expenses	(105)	(130)	(60)	(83)
General and administrative expenses	(17)	0	(10)	(4)
Other operating income/(expenses)	(0)	(6)	(0)	(2)
OPERATING INCOME – EBIT	**86**	**136**	**22**	**19**
Financial income and costs	(1)	(1)	(0)	(0)
PROFIT (LOSS) BEFORE TAXES	**85**	**135**	**22**	**19**
Income tax expense	-	(17)	-	(5)
NET PROFIT (LOSS) FOR THE PERIOD	**85**	**118**	**22**	**14**

SUMMARY OF GENERAL MEETING RESOLUTIONS

The General Meeting of Shareholders, held at a second calling on April 28, 2017, passed resolutions to:

- approve the Company's Financial Statements and Report on Operations for the year ended December 31, 2016, as well as the Marcolin Group's Consolidated Financial Statements and accompanying Report on Operations for the year ended December 31, 2016;

- to allocate the Company's profit for the year of euro 3,715,706 to Legal Reserve for euro 185,785 and to Retained Earnings for the residual amount.

Milan; April 28, 2017

for the Board of Directors

the Chairman
Vittorio Levi

MARCOLIN
EYEWEAR