

**MARCOLIN**  
EYEWEAR

# MARCOLIN GROUP

## 1<sup>st</sup> QUARTER REPORT

March 31, 2017

Registered Office, Executive Management and Business Offices  
Longarone (BL) – Z.I. Villanova, 4  
Issued capital euro 32,312,475.00 fully paid in  
R.E.A. n. 64334  
Tax code and Companies Register n. BL 01774690273  
VAT n. 00298010257

**MARCOLIN**  
EYEWEAR

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## GENERAL INFORMATION



## CORPORATE BOARDS AND AUDITORS

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

|                               |                            |
|-------------------------------|----------------------------|
| 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 <sup>1</sup>

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

### Internal Audit Committee <sup>2</sup>

|                         |                  |
|-------------------------|------------------|
| Vittorio Levi           | Chairman         |
| Roberto Ferraresi       | Internal Auditor |
| Cirillo Coffen Marcolin | Internal Auditor |

### Supervisory Body <sup>2</sup>

|                         |            |
|-------------------------|------------|
| Federico Ormesani       | Chairman   |
| David Reali             | Supervisor |
| Cirillo Coffen Marcolin | Supervisor |

### Independent Auditors <sup>3</sup>

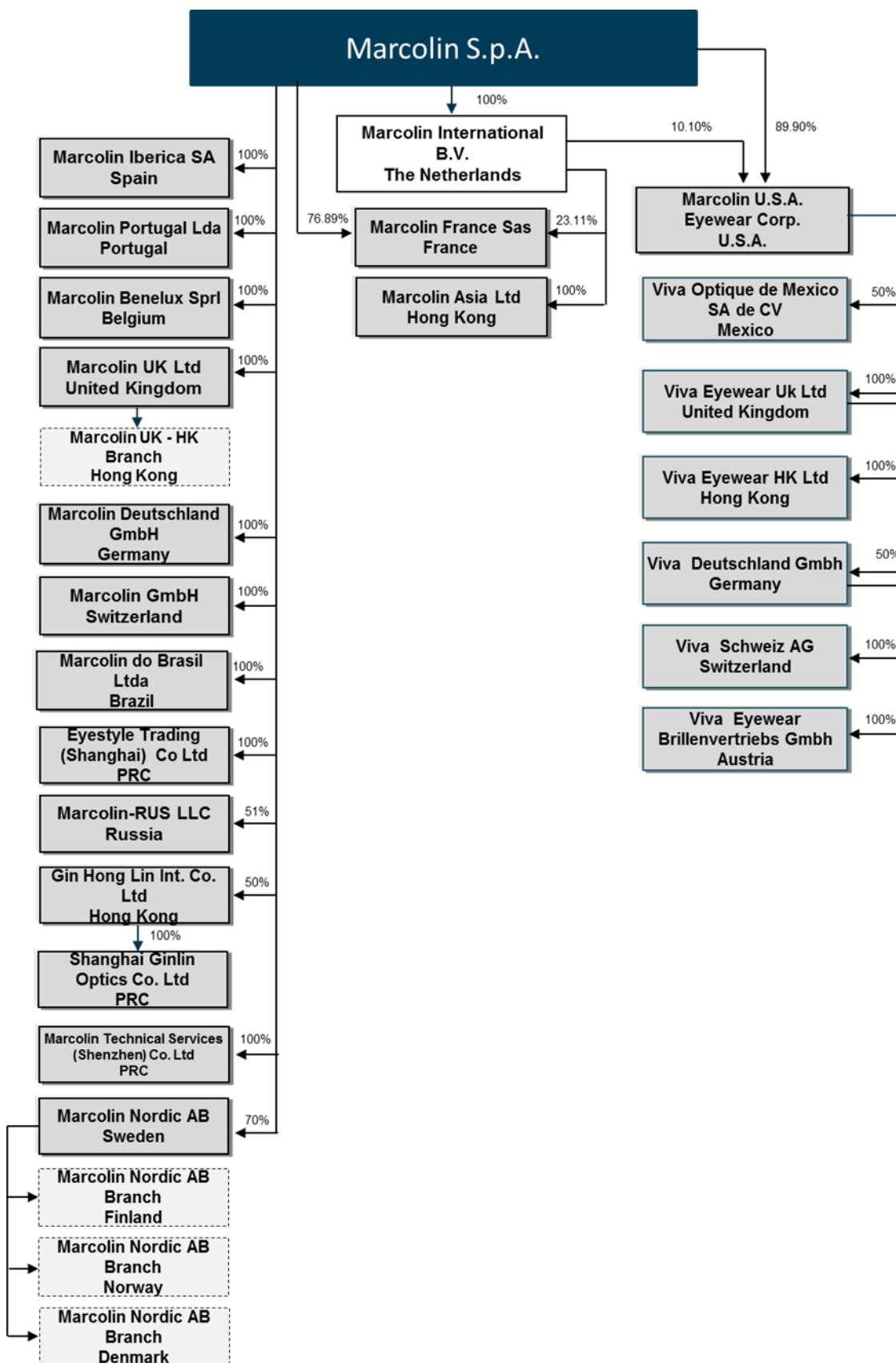
PricewaterhouseCoopers S.p.A.

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

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

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

## MARCOLIN GROUP STRUCTURE









**MARCOLIN GROUP 1<sup>st</sup> QUARTER  
CONSOLIDATED FINANCIAL STATEMENT**



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>(euro/000)</i>                          | Notes | 03/31/2017     | 12/31/2016     |
|--|-------|----------------|----------------|
| <b>ASSETS</b>                              |       |                |                |
| <b>NON-CURRENT ASSETS</b>                  |       |                |                |
| Property, plant and equipment              | 1     | 25,839         | 25,513         |
| Intangible assets                          | 1     | 48,538         | 49,824         |
| Goodwill                                   | 1     | 289,489        | 290,902        |
| Investments in subsidiaries and associates | 1     | 994            | 907            |
| Deferred tax assets                        | 1     | 39,871         | 35,950         |
| Other non-current assets                   | 1     | 464            | 465            |
| Non-current financial assets               | 1; 6  | 3,096          | 3,797          |
| <b>Total non-current assets</b>            |       | <b>408,291</b> | <b>407,360</b> |
| <b>CURRENT ASSETS</b>                      |       |                |                |
| Inventories                                | 2     | 128,505        | 126,914        |
| Trade receivables                          | 2     | 90,574         | 72,643         |
| Other current assets                       | 2     | 13,293         | 13,067         |
| Current financial assets                   | 2; 6  | 700            | 699            |
| Cash and cash equivalents                  | 2; 6  | 37,289         | 42,230         |
| <b>Total current assets</b>                |       | <b>270,362</b> | <b>255,553</b> |
| <b>TOTAL ASSETS</b>                        |       | <b>678,653</b> | <b>662,912</b> |
| <b>EQUITY</b>                              |       |                |                |
| Share capital                              | 3     | 32,312         | 32,312         |
| Additional paid-in capital                 | 3     | 151,994        | 151,994        |
| Legal reserve                              | 3     | 4,263          | 4,077          |
| Other reserves                             | 3     | 51,393         | 55,871         |
| Retained earnings (losses)                 | 3     | (30,526)       | (19,447)       |
| Profit (loss) for the period               | 3     | (6,980)        | 12,167         |
| <b>Group equity</b>                        |       | <b>202,457</b> | <b>236,975</b> |
| Non controlling interests                  | 3     | 2,434          | 2,052          |
| <b>TOTAL EQUITY</b>                        |       | <b>204,891</b> | <b>239,027</b> |
| <b>LIABILITIES</b>                         |       |                |                |
| <b>NON-CURRENT LIABILITIES</b>             |       |                |                |
| Non-current financial liabilities          | 4; 6  | 250,284        | 199,866        |
| Non-current funds                          | 4     | 7,728          | 7,487          |
| Deferred tax liabilities                   | 4     | 7,374          | 7,602          |
| Other non-current liabilities              | 4     | 225            | 86             |
| <b>Total non-current liabilities</b>       |       | <b>265,612</b> | <b>215,040</b> |
| <b>CURRENT LIABILITIES</b>                 |       |                |                |
| Trade payables                             | 5     | 116,335        | 128,526        |
| Current financial liabilities              | 5; 6  | 57,755         | 51,697         |
| Current funds                              | 5     | 403            | 352            |
| Tax liabilities                            | 5     | 9,887          | 6,484          |
| Other current liabilities                  | 5     | 23,770         | 21,787         |
| <b>Total current liabilities</b>           |       | <b>208,150</b> | <b>208,846</b> |
| <b>TOTAL LIABILITIES</b>                   |       | <b>473,762</b> | <b>423,886</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>        |       | <b>678,653</b> | <b>662,912</b> |

## CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>(euro/000)</i>                       | Notes | 03/31/2017     | %             | 03/31/2016     | %             |
|---|-------|----------------|---------------|----------------|---------------|
| <b>NET REVENUES</b>                     | 7     | <b>124,835</b> | <b>100.0%</b> | <b>122,340</b> | <b>100.0%</b> |
| Cost of sales                           | 8     | (51,491)       | (41.2)%       | (50,325)       | (41.1)%       |
| <b>GROSS PROFIT</b>                     |       | <b>73,344</b>  | <b>58.8%</b>  | <b>72,015</b>  | <b>58.9%</b>  |
| Distribution and marketing expenses     | 9     | (53,474)       | (42.8)%       | (52,976)       | (43.3)%       |
| General and administrative expenses     | 10    | (8,928)        | (7.2)%        | (8,330)        | (6.8)%        |
| Other operating income/(expenses)       | 11    | 72             | 0.1%          | 242            | 0.2%          |
| <b>OPERATING INCOME - EBIT</b>          |       | <b>11,015</b>  | <b>8.8%</b>   | <b>10,950</b>  | <b>9.0%</b>   |
| Financial income                        | 12    | 1,458          | 1.2%          | 6,122          | 5.0%          |
| Financial costs                         | 12    | (20,118)       | (16.1)%       | (13,239)       | (10.8)%       |
| <b>PROFIT (LOSS) BEFORE TAXES</b>       |       | <b>(7,645)</b> | <b>(6.1)%</b> | <b>3,833</b>   | <b>3.1%</b>   |
| Income tax expense                      | 13    | 985            | 0.8%          | (651)          | (0.5)%        |
| <b>NET PROFIT (LOSS) FOR THE PERIOD</b> |       | <b>(6,660)</b> | <b>(5.3)%</b> | <b>3,183</b>   | <b>2.6%</b>   |
| <b>Profit (loss) attributable to:</b>   |       |                |               |                |               |
| - Owners of the parent                  |       | (6,980)        | (5.6)%        | 2,985          | 2.4%          |
| - Non-controlling interests             |       | 320            | 0.3%          | 197            | 0.2%          |

| <i>(euro/000)</i>  | 03/31/2017     | 03/31/2016     |
|--|----------------|----------------|
| <b>NET PROFIT (LOSS) FOR THE PERIOD</b>  | <b>(6,660)</b> | <b>3,183</b>   |
| Other items that will not subsequently be reclassified to profit or loss:          |                |                |
| Effect (actuarial gains/losses) on defined benefit plans, net of taxes             | -              | -              |
| <b>TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b> | <b>-</b>       | <b>-</b>       |
| Other items that will be subsequently reclassified to profit or loss:              |                |                |
| Change in foreign currency translation reserve                                     | (371)          | (5,270)        |
| <b>TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>  | <b>(371)</b>   | <b>(5,270)</b> |
| <b>TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD</b>                      | <b>(7,030)</b> | <b>(2,087)</b> |
| <b>Profit (loss) attributable to:</b>  |                |                |
| - owners of the parent   | (7,413)        | (2,238)        |
| - non-controlling interests  | 382            | 151            |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital | Additional paid-in capital | Legal Reserve | S.holders deposit in s/capital |         |                              | Other reserves              |                              |          | Profit (loss) for the period | Capital and reserves net total | Non-controlling interests in equity | Total equity |
|---|---------------|----------------------------|---------------|--------------------------------|---------|------------------------------|-----------------------------|------------------------------|----------|------------------------------|--------------------------------|-------------------------------------|--------------|
|   |               |                            |               | Translation reserve            | Other   | Actual gain / (loss) reserve | Retained earnings/ (losses) | Profit (loss) for the period |          |                              |                                |                                     |              |
| <b>December 31, 2015</b>                          | 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    | -                            | -                              | -                                   |              |
| Change in consolidation perimeter                 | -             | -                          | -             | -                              | -       | -                            | -                           | -                            | -        | -                            | (151)                          | (151)                               |              |
| Other movements                                   | -             | -                          | -             | -                              | -       | 712                          | -                           | -                            | -        | 712                          | -                              | 712                                 |              |
| - <i>Period result</i>                            | -             | -                          | -             | -                              | (3,841) | -                            | (17)                        | -                            | 12,167   | 12,167                       | 7                              | 12,174                              |              |
| - <i>Other components of comprehensive income</i> | -             | -                          | -             | -                              | (3,841) | -                            | (17)                        | -                            | 12,167   | (3,868)                      | 226                            | (3,632)                             |              |
| Total comprehensive income                        | -             | -                          | -             | -                              | (3,841) | -                            | (17)                        | -                            | 12,167   | 8,309                        | 233                            | 8,542                               |              |
| <b>December 31, 2016</b>                          | 32,312        | 151,994                    | 4,077         | 46,108                         | 8,958   | 834                          | (29)                        | (19,447)                     | 12,167   | 236,975                      | 2,052                          | 239,027                             |              |
| Allocation of 2016 profit                         | -             | -                          | -             | -                              | -       | -                            | -                           | 11,982                       | (12,167) | -                            | -                              | -                                   |              |
| Dividends distribution                            | -             | -                          | -             | -                              | -       | -                            | -                           | (25,900)                     | -        | (25,900)                     | -                              | (25,900)                            |              |
| Other movements                                   | -             | -                          | -             | -                              | (2,839) | (1,206)                      | -                           | 2,839                        | -        | (1,206)                      | -                              | (1,206)                             |              |
| - <i>Period result</i>                            | -             | -                          | -             | -                              | (433)   | -                            | -                           | -                            | (6,980)  | (6,980)                      | 320                            | (6,660)                             |              |
| - <i>Other components of comprehensive income</i> | -             | -                          | -             | -                              | (433)   | -                            | -                           | -                            | -        | (433)                        | 62                             | (371)                               |              |
| Total comprehensive income                        | -             | -                          | -             | -                              | (433)   | -                            | -                           | -                            | (6,980)  | (7,412)                      | 382                            | (7,030)                             |              |
| <b>March 31, 2017</b>                             | 32,312        | 151,994                    | 4,263         | 46,108                         | 5,685   | (372)                        | (29)                        | (30,526)                     | (6,980)  | 202,457                      | 2,434                          | 204,891                             |              |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

|   | 03/31/2017      | 12/31/2016      |
|---|-----------------|-----------------|
| <i>(euro/000)</i>   |                 |                 |
| <b>OPERATING ACTIVITIES</b>   |                 |                 |
| <i>Profit (loss) for the period</i>   | (6.660)         | 12.174          |
| Depreciation and amortization   | 4.004           | 13.146          |
| Provisions  | 816             | (7.557)         |
| Income tax expense  | (985)           | 3.211           |
| Accrued interest expense  | 18.660          | 16.090          |
| Adjustments to other non-cash items   | (15)            | (443)           |
| <i>Cash generated by operations</i>   | 15.820          | 36.621          |
| Cash generated by change in operating working capital                       | (29.522)        | 10.586          |
| Other elements in working capital   | (2.063)         | 1.301           |
| Income taxes paid   | (244)           | (1.138)         |
| Interest received   | 227             | 686             |
| Interest paid   | (15.960)        | (19.546)        |
| <i>Total cash generated by change in other items of net working capital</i> | (18.040)        | (18.697)        |
| <i>Net cash from /(used in) net working capital</i>                         | (47.562)        | (8.111)         |
| <b>Net cash from /(used in) operating activities</b>                        | <b>(31.742)</b> | <b>28.509</b>   |
| <b>INVESTING ACTIVITIES</b>   |                 |                 |
| Net (Purchase)/disposal of property, plant and equipment                    | (1.708)         | (3.034)         |
| Net (Investments)/disposal in intangible assets                             | (1.730)         | (19.656)        |
| Net cash inflow on investments  | (0)             | 948             |
| <b>Net cash from /(used in) investing activities</b>                        | <b>(3.438)</b>  | <b>(21.742)</b> |
| <b>FINANCING ACTIVITIES</b>   |                 |                 |
| <i>Loans granted</i>  |                 |                 |
| - Decrease  | 789             | 984             |
| Net increase (decrease) in bank borrowings                                  | 51.638          | (5.646)         |
| <i>Loans taken out</i>  |                 |                 |
| - New loans   | 4.500           | 5.500           |
| - (Repayments)  | (1.806)         | (5.611)         |
| Dividends paid to minorities  | -               | (149)           |
| Dividends paid to shareholders  | (24.793)        | -               |
| <b>Net cash from /(used in) financing activities</b>                        | <b>30.328</b>   | <b>(4.922)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                 | <b>(4.852)</b>  | <b>1.845</b>    |
| Effect of foreign exchange rate changes                                     | (88)            | 2               |
| <b>Cash and cash equivalents at beginning of year</b>                       | <b>42.230</b>   | <b>40.382</b>   |
| <b>Cash and cash equivalents at end of year</b>                             | <b>37.289</b>   | <b>42.230</b>   |



## NOTES TO THE 1<sup>st</sup> QUARTER CONSOLIDATED FINANCIAL STATEMENTS

### INTRODUCTION

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 of Viva 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); 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 mainly house brands are the traditional "Marcolin" brand and Web.

Marcolin Group always continue with its efforts to rationalize and optimize the brands and collections offered to its clients. During the first quarter of 2017 there were no significant events occurred with reference to new or amended agreements with licensors.

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### *Refinancing of Marcolin Group debt*

On February 2017 Marcolin concluded 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.

The 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.

### *Signing of joint venture agreement with LVMH Group*

On February 2017, a joint venture agreement has been 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.

### *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 S.p.A. 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 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.

## ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

### Basis of operation

These condensed consolidation interim financial statements for three months ended March 31, 2017 have been prepared on a going concern basis following IAS 34 “*Interim Financial Reporting*” which governs interim financial reporting. IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter “IFRS”), given that the entity has prepared its financial statements compliant with IFRS for the previous financial year. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2016. The Condensed Consolidated Interim Financial Statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

### Accounting policies

The accounting policies adopted for the preparation of the condensed consolidation interim financial statements for the three months ended March 31, 2017 are consistent with those used to prepare the annual financial statements as at December 31, 2016, except taxes on income which, in the interim periods, are accrued using tax rate that would be applicable to expected total annual profit or loss.

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

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

The same financial statement format was used to prepare the annual consolidated financial statements as at December 31, 2016.

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

### Recently issued accounting standards

#### *NEW STANDARDS AND INTERPRETATIONS ENDORSED BY THE EU AND IN FORCE FROM JANUARY 1, 2017*

As of March 31, 2017 there are no new standards and interpretations endorsed by the EU and in force from January 1, 2017.

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

On September 22, 2016 the EU regulation no, 2016/1905 was issued, which endorsed IFRS 15 (Revenue from contracts with customers), IFRS 15 is effective starting from January 1, 2018. The

impacts on the consolidated financial statements arising from the new standard are currently being assessed.

On November 22, 2016 the EU regulation no, 2016/2067 was issued, which endorsed IFRS 9 (Financial Instruments), IFRS 9 is effective starting from January 1, 2018. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

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

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

| <b>Description</b>   | <b>Effective date of the standard</b> |
|--|---------------------------------------|
| 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                       |

#### **Estimates**

The preparation of interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 2016.

#### **Seasonality of operations**

The operations of the Group are affected by seasonal consumer buying patterns. While sales of prescription frames do not experience any significant seasonal variation, sales of sunglasses are generally higher in February, March and April as retailers purchase new collections in anticipation of the increased consumer demand in the spring and summer months. Accordingly, our net sales recorded in the first half of any given year are generally higher than in the second half, while our operating expenses are generally not subject to such seasonality. In addition, such seasonality may cause our working capital requirements to vary from period on period, depending on the variability in the volumes and timing of sales and sunglasses.

## Financial risk management

In the ordinary courses of the business the Group is exposed to a variety of financial risks including market risks (currency risk and interest risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all the information and notes on financial risk management required in the preparation of the annual consolidated financial statements.

## Consolidated companies

The Marcolin Group's financial statements for the three months ended March 31, 2017 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly. There were no changes in scope of consolidation compared to December 31, 2016.

The companies consolidated on a line-by-line basis and the companies consolidated through Equity Method are set forth below.

| Company  | Headquarters               | Currency | Share capital | Consolidation method | % ownership |          |
|--|----------------------------|----------|---------------|----------------------|-------------|----------|
|  |                            |          |               |                      | Direct      | Indirect |
| Marcolin Asia HK Ltd                           | Hong Kong                  | HKD      | 1,539,785     | Full                 |             | 100.00%  |
| Marcolin Benelux Sprl                          | Faimes, Benelux            | EUR      | 280,000       | Full                 | 100.00%     |          |
| Marcolin do Brasil Ltda                        | Barueri - SP, Brasil       | BRL      | 9,575,240     | Full                 | 100.00%     |          |
| Marcolin Deutschland GmbH                      | Ludwigsburg, Germany       | EUR      | 4,650,000     | Full                 | 100.00%     |          |
| Marcolin France Sas                            | Parigi, France             | EUR      | 1,054,452     | Full                 | 76.89%      | 23.11%   |
| Marcolin GmbH                                  | Fullinsdorf, Switzerland   | CHF      | 200,000       | Full                 | 100.00%     |          |
| Marcolin Iberica SA                            | Barcelona, Spagna          | EUR      | 487,481       | Full                 | 100.00%     |          |
| Marcolin International BV                      | Amsterdam, Netherlands     | EUR      | 18,151        | Full                 | 100.00%     |          |
| Marcolin Portugal Lda                          | Lisbona, Portogallo        | EUR      | 420,000       | Full                 | 99.82%      |          |
| Eyestyle Trading (Shanghai) Co Ltd             | Shanghai, PRC              | CNY      | 3,001,396     | Full                 | 100.00%     |          |
| Marcolin Technical Services (Shenzhen) Co. Ltd | Shenzhen, PRC              | CNY      | 1,000,000     | Full                 | 100.00%     |          |
| Marcolin UK Ltd                                | Newbury, UK                | GBP      | 3,572,718     | Full                 | 100.00%     |          |
| Marcolin USA Eyewear Corp.                     | Somerville, Usa            | USD      | 121,472,262   | Full                 |             | 100.00%  |
| Viva Eyewear Hong Kong Ltd                     | New Territories, Hong Kong | HKD      | 100           | Full                 |             | 100.00%  |
| Viva Eyewear UK Ltd                            | North Yorkshire, UK        | GBP      | -             | Full                 |             | 100.00%  |
| <b>Joint Ventures</b>                          |                            |          |               |                      |             |          |
| Viva Optique de Mexico SA de CV                | Edo, Mexico                | MXN      | 3,694,685     | Equity               |             | 50.00%   |
| Viva Deutschland GmbH                          | Schwaebisch Gmund, Germany | EUR      | 25,000        | Full                 |             | 50.00%   |
| Viva Eyewear Brillenvertriebs GmbH             | Voklabruck, Austria        | EUR      | 35,000        | Full                 |             | 50.00%   |
| Viva Schweiz AG                                | Wallis, Switzerland        | CHF      | 100,000       | Full                 |             | 50.00%   |
| Marcolin-RUS LLC                               | Moscow, Russia             | RUB      | 305,520       | Full                 | 51.00%      |          |
| Gin Hong Lin International Co Ltd              | Hong Kong                  | HKD      | 16,962,203    | Full                 | 50.00%      |          |
| Shanghai Ginlin Optics Co Ltd                  | Shanghai, PRC              | CNY      | 14,354,200    | Full                 |             | 50.00%   |
| Marcolin Nordic AB                             | Solna, Stockholm           | SEK      | 50,000        | Full                 | 70.00%      |          |

## 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.

The tax consolidation regime enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Marcolin S.p.A. is now evaluating with the parent company 3Cime S.p.A. the renewal of the agreement for the fiscal period 2017-2019.

## Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to March 31, 2017 and January-to-March 2017, respectively):

| Currency          | Symbol | Closing exchange rate |            |        | Average exchange rate |            |         |
|-------------------|--------|-----------------------|------------|--------|-----------------------|------------|---------|
|                   |        | 03/31/2017            | 12/31/2016 | Change | 03/31/2017            | 03/31/2016 | Change  |
| Australian Dollar | AUD    | 1.398                 | 1.460      | (4.2)% | 1.406                 | 1.529      | (8.1)%  |
| Brasilian Real    | BRL    | 3.380                 | 3.431      | (1.5)% | 3.347                 | 4.304      | (22.2)% |
| Canadian Dollar   | CAD    | 1.4265                | 1.419      | 0.5%   | 1.410                 | 1.515      | (6.9)%  |
| Swiss Franc       | CHF    | 1.070                 | 1.074      | (0.4)% | 1.069                 | 1.096      | (2.4)%  |
| Renminbi          | CNY    | 7.364                 | 7.320      | 0.6%   | 7.335                 | 7.210      | 1.7%    |
| Danish Krone      | DKK    | 7.438                 | 7.434      | 0.0%   | 7.435                 | 7.461      | (0.3)%  |
| English Pound     | GBP    | 0.856                 | 0.856      | (0.1)% | 0.860                 | 0.770      | 11.6%   |
| Hong Kong Dollar  | HKD    | 8.307                 | 8.175      | 1.6%   | 8.264                 | 8.568      | (3.6)%  |
| Mexican Pesos     | MXN    | 20.018                | 21.772     | (8.1)% | 21.677                | 19.898     | 8.9%    |
| Norwegian Krone   | NOK    | 9.168                 | 9.086      | 0.9%   | 8.989                 | 9.527      | (5.6)%  |
| Russian Rublo     | RUB    | 60.313                | 64.300     | (6.2)% | 62.522                | 82.451     | (24.2)% |
| Swedish Krona     | SEK    | 9.532                 | 9.553      | (0.2)% | 9.506                 | 9.327      | 1.9%    |
| US Dollar         | USD    | 1.069                 | 1.054      | 1.4%   | 1.065                 | 1.102      | (3.4)%  |

## ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1. Non-current assets

The composition of non-current assets is shown below:

| Non-current assets<br>(euro/000)           | 03/31/2017     | 12/31/2016     | Increase/decrease |             |
|--|----------------|----------------|-------------------|-------------|
|  |                |                | euro              | %           |
| Property, plant and equipment              | 25,839         | 25,513         | 326               | 1.3%        |
| Intangible assets                          | 48,538         | 49,824         | (1,286)           | (2.6)%      |
| Goodwill                                   | 289,489        | 290,902        | (1,413)           | (0.5)%      |
| Investments in subsidiaries and associates | 994            | 907            | 86                | 9.5%        |
| Deferred tax assets                        | 39,871         | 35,950         | 3,921             | 10.9%       |
| Other non-current assets                   | 464            | 465            | (1)               | (0.3)%      |
| Non-current financial assets               | 3,096          | 3,797          | (701)             | (18.5)%     |
| <b>Total non-current assets</b>            | <b>408,291</b> | <b>407,360</b> | <b>931</b>        | <b>0.2%</b> |

The net value of non-current assets increase by euro 0.931 million from December 31, 2016, mainly due to deferred tax asset movement which increase by euro 3.921 million, partially offset by amortization and depreciation of tangible and intangible assets and goodwill which decrease by euro 1.413 million due to translation effect.

### 2. Current assets

The composition of current assets is shown below:

| Current assets<br>(euro/000) | 03/31/2017     | 12/31/2016     | Increase/decrease |             |
|------------------------------|----------------|----------------|-------------------|-------------|
|                              |                |                | euro              | %           |
| Inventories                  | 128,505        | 126,914        | 1,592             | 1.3%        |
| Trade receivables            | 90,574         | 72,643         | 17,931            | 24.7%       |
| Other current assets         | 13,293         | 13,067         | 227               | 1.7%        |
| Current financial assets     | 700            | 699            | 1                 | 0.1%        |
| Cash and bank balances       | 37,289         | 42,230         | (4,941)           | (11.7)%     |
| <b>Total current assets</b>  | <b>270,362</b> | <b>255,553</b> | <b>14,809</b>     | <b>5.8%</b> |

The total value of current assets increase by euro 14.809 million from December 31, 2016, mainly as a result of the combined effect of the changes listed below.

The net value of inventories increased by euro 1.592 million compared to the previous year. The increase in closing inventories is mainly due both by business seasonality and by management expectation of higher turnover.

The increase in net trade receivables compared to December 31, 2016 is largely affected by business seasonality and by the increased sales volume compared to previous year. DSO index continues to improve compared to previous period (5 days compared to December 31, 2016).

Inventory is shown net of provision for inventory impairment, as well as receivables are shown net of the provision for doubtful debts and returns.

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



### 3. Equity

The Parent Company's share capital is euro 32,312,475 and is composed of 61,458,375 ordinary shares without par value. The composition of share capital did not change during 2017.

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

The translation reserve of euro 5.685 million refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other Reserves, of euro -372 thousand, mainly include for some euro -494 thousand the exchange rate difference at period end on the intercompany financial loan between Marcolin S.p.A. and Marcolin USA Eyewear Corp. expressed in USD, calculated starting from November 18, 2016. On that date, 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.

On February 10, 2017 the shareholder Marmolada S.p.A. approved a dividend distribution for euro 25.900 million. Such distribution has been subsequently used by parent company 3Cime S.p.A. for the repayment of the Vendor Loan Note to HVHC Inc. based on the settlement agreement stipulated with such entity as previously described.

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

### 4. Non-current liabilities

The composition of non-current liabilities is shown below:

| Non-current liabilities<br>(euro/000) | 03/31/2017     | 12/31/2016     | Increase/decrease |              |
|---------------------------------------|----------------|----------------|-------------------|--------------|
|                                       |                |                | euro              | %            |
| Non-current financial liabilities     | 250,284        | 199,866        | 50,418            | 25.2%        |
| Non-current funds                     | 7,728          | 7,487          | 241               | 3.2%         |
| Deferred tax liabilities              | 7,374          | 7,602          | (228)             | (3.0)%       |
| Other non-current liabilities         | 225            | 86             | 140               | 163.4%       |
| <b>Total non-current liabilities</b>  | <b>265,612</b> | <b>215,040</b> | <b>50,571</b>     | <b>23.5%</b> |

Non-current liabilities increase by euro 50.571 million, mainly related to non-current financial liabilities which increases of euro 50.418 million. The change is due to the debt refinancing operation of Marcolin S.p.A. which took place on January and February 2017. Marcolin S.p.A. issued a 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 note issue, the previous bond notes existing as at December 31, 2016 were extinguished.

The most significant loans, primarily taken out by the Parent Company, are presented in detail below:

|   | Currency | Original amount (euro) | Residual amount (euro) | Maturity date | Interest rate                         | Notes   |
|---|----------|------------------------|------------------------|---------------|---------------------------------------|---|
| BOND  | euro     | 250,000,000            | 250,000,000            | 02/14/2023    | Euribor 3 months (floor 0%) +4,125%   | Bond issued the 10th February 2017 - Quarterly interests in 15th of May, 15th of August, 15th of November, 15th of February |
| Credit Suisse International, Deutsche Bank AG, Unicredit S.p.A. | euro     | 40,000,000             | 30,000,000             | 11/10/2022    | Euribor 1/2/3/6 months + spread 3,75% | Super Senior RCF - Revolving facility agreement - Euro 40.000.000 - signed the 3rd February 2017 -                          |
| Unicredit S.p.A.  | euro     | 5,000,000              | 2,187,500              | 12/31/2018    | Euribor 3 months + spread             | Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015           |
| Banca Popolare FriulAdria S.p.A.                                | euro     | 3,000,000              | 1,021,902              | 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              | 750,000                | 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              | 1,490,894              | 12/31/2018    | Euribor 3 months + spread             | Loan granted on December 23, 2015, repayable in 12 quarterly installments from March 31, 2016                               |
| BCC delle Prealpi Soc. Coop.                                    | euro     | 1,000,000              | 668,224                | 11/09/2017    | Euribor 6 months + spread             | Loan granted on November 09, 2016, repayable in monthly installments from December 09, 2016                                 |
| Banca Popolare FriulAdria S.p.A.                                | euro     | 1,500,000              | 603,877                | 09/28/2017    | Euribor 3 months + spread             | Loan granted on March 4, 2015, repayable in 5 quarterly installments from September 28, 2016                                |
| Banco Popolare s.c.r.l.   | euro     | 3,000,000              | 2,400,000              | 03/31/2019    | Euribor 3 months + spread             | Loan granted on September 30, 2016, repayable in 10 quarterly installments from December 31, 2016                           |
| Credito Valtellinese  | euro     | 1,500,000              | 1,438,364              | 02/05/2019    | Euribor 3 months + spread             | Loan granted on January 24, 2017, repayable in 24 monthly installments from Marzo 05, 2017                                  |
| Banca Popolare di Vicenza s.c.p.a.                              | euro     | 1,000,000              | 1,000,000              | 12/31/2017    | fixed rate                            | Loan granted on February 24, 2017, repayable on December 31, 2017   |
| Banca Popolare di Vicenza s.c.p.a.                              | euro     | 1,000,000              | 1,000,000              | 06/30/2018    | fixed rate                            | Loan granted on February 24, 2017, repayable on June 30, 2018   |
| Banca Popolare di Vicenza s.c.p.a.                              | euro     | 1,000,000              | 1,000,000              | 12/31/2018    | fixed rate                            | Loan granted on February 24, 2017, repayable on December 31, 2018   |

## 5. Current liabilities

Current liabilities are set forth below:

| Current liabilities<br>(euro/000) | 03/31/2017     | 12/31/2016     | Increase/decrease |               |
|-----------------------------------|----------------|----------------|-------------------|---------------|
|                                   |                |                | euro              | %             |
| Trade payables                    | 116,335        | 128,526        | (12,190)          | (9.5)%        |
| Current financial liabilities     | 57,755         | 51,697         | 6,058             | 11.7%         |
| Current provisions                | 403            | 352            | 51                | 14.5%         |
| Tax liabilities and others        | 33,657         | 28,271         | 5,386             | 19.1%         |
| <b>Total current liabilities</b>  | <b>208,150</b> | <b>208,846</b> | <b>(695)</b>      | <b>(0.3)%</b> |

Current liabilities as at March 31, 2017 show a decrease of euro 0.695 million compared to December 31, 2016.

In particular, the following may be observed:

- Trade payables as at March 31, 2017 amounted to euro 116.335 million. The decrease compared to December 31, 2016 is primarily attributable to licensors payments during Q1 2017.
- the current financial liabilities, primarily related to bank overdraft and short term financing, including bank credit facilities in the form of bill discounting facility undertaken in the ordinary course of business, increased compared to December 31, 2016 mainly due to a higher proceeds from the New Revolving Credit Facility for some euro 30 million compared to the total drawing of euro 25 million as at December 31, 2016 of the old one.
- the increase in tax liabilities and others are mainly due to tax liabilities (including VAT and other employees tax liabilities and social contributions) and other employees liabilities (such as vacations and bonuses not yet paid).

## 6. Net financial debt

The net financial debt as at March 31, 2017 is set forth below in comparison with December 31, 2016:

| Net financial debt<br>(euro/000)         | 03/31/2017       | 12/31/2016       | Increase/decrease |              |
|--|------------------|------------------|-------------------|--------------|
|  |                  |                  | euro              | %            |
| Cash and cash equivalents                | 37,289           | 42,230           | (4,941)           | (11.7)%      |
| Current and non-current financial assets | 3,796            | 4,497            | (701)             | (15.6)%      |
| Current financial liabilities            | (57,755)         | (51,697)         | (6,058)           | 11.7%        |
| Non-current financial liabilities        | (250,284)        | (199,866)        | (50,418)          | 25.2%        |
| <b>Total net financial debt</b>          | <b>(266,954)</b> | <b>(204,837)</b> | <b>(62,117)</b>   | <b>23.3%</b> |

The net financial debt is euro 266.954 million, compared to euro 204.837 million at December 31, 2016.

The total gross proceeds from the debt refinancing, through the new bond issuance on February 2017, has been euro 250 million. Such amount, together with a new Revolving Credit Facility has been used to redeem all of the outstanding existing 2019 Note, repay all the outstanding under the previous Revolving Credit Facility, pay dividends to Marmolada S.p.A. in respect to the Vendor Loan Note repayment, partially repay certain of the existing Bilateral Facilities and pay certain fees and expenses in connection with such refinancing.

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

The other main component of financial liabilities is the New Revolving Credit Facility of euro 40.0 million, drawn for euro 30.0 million as of March 31, 2017.

Other components of the financial liabilities are some minor financial loans, granted to support the Group growth, of which euro 17.0 million classified as current and euro 5.7 million classified as non-current, bank credit in the form of a bill discounting facility (around euro 8.8 million) used in the ordinary course of business and Financial Lease for some euro 1.1 million.

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## ANALYSIS OF CONSOLIDATED INCOME STATEMENT

The Group's interim Consolidated Income Statement as at March 31, 2017 is summarized below against the reported interim results as at March 31, 2016.

The 2017 revenues to date are euro 124.835 million, compared to euro 122.340 million for the first three months of 2016.

The March 2017 Reported Ebitda is euro 15.525 million, compared to 14.288 million for the three months of 2016.

Reported Ebit is euro 11.015 million, compared to euro 10.950 million for the three months of 2016.

| Consolidated income statement<br>(euro/000) | 03/31/2017 |                   | 03/31/2016 |                   |
|---|------------|-------------------|------------|-------------------|
|   | euro       | % of net revenues | euro       | % of net revenues |
| Net revenues                                | 124,835    | 100.0%            | 122,340    | 100.0%            |
| Gross profit                                | 73,344     | 58.8%             | 72,015     | 58.9%             |
| Ebitda                                      | 15,525     | 12.4%             | 14,288     | 11.7%             |
| Operating income - Ebit                     | 11,015     | 8.8%              | 10,950     | 9.0%              |
| Financial income and costs                  | (18,660)   | (14.9)%           | (7,117)    | (5.8)%            |
| Profit before taxes                         | (7,645)    | (6.1)%            | 3,833      | 3.1%              |
| Net profit (loss) for the period            | (6,660)    | (5.3)%            | 3,183      | 2.6%              |

| Economic indicator - adjusted<br>(euro/000) | 03/31/2017 |                   | 03/31/2016 |                   |
|---|------------|-------------------|------------|-------------------|
|   | euro       | % of net revenues | euro       | % of net revenues |
| Ebitda                                      | 15,779     | 12.6%             | 15,158     | 12.4%             |
| Operating income - Ebit                     | 11,269     | 9.0%              | 11,820     | 9.7%              |

The Reported Ebitda increase compared to previous year is mainly due to lower one-off items and the improvement of operating leverage (which improved the EBITDA Adjusted). Excluding the effects of those transactions, the March 2017 Adjusted Ebitda is euro 15.779 million (12.6% of net sales), against the March 2016 Adjusted Ebitda of euro 15.158 million (12.4% of net sales).

## 7. Net Revenues

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

| Net Revenues by geographical area<br>(euro/000) | 03/31/2017     |               | 03/31/2016     |               | Increase (decrease) |             |
|---|----------------|---------------|----------------|---------------|---------------------|-------------|
|   | Net Revenues   | % on total    | Net Revenues   | % on total    | Net Revenues        | Change      |
| <i>Italy</i>                                    | 8,159          | 6.5%          | 6,695          | 5.5%          | 1,464               | 21.9%       |
| <i>Rest of Europe</i>                           | 39,457         | 31.6%         | 35,983         | 29.4%         | 3,474               | 9.7%        |
| Europe  | 47,616         | 38.1%         | 42,678         | 34.9%         | 4,938               | 11.6%       |
| Americas  | 51,805         | 41.5%         | 53,428         | 43.7%         | (1,623)             | (3.0)%      |
| Asia  | 9,310          | 7.5%          | 11,419         | 9.3%          | (2,109)             | (18.5)%     |
| Rest of World                                   | 16,104         | 12.9%         | 14,814         | 12.1%         | 1,290               | 8.7%        |
| <b>Total</b>                                    | <b>124,835</b> | <b>100.0%</b> | <b>122,340</b> | <b>100.0%</b> | <b>2,496</b>        | <b>2.0%</b> |

In the first three months of 2017 net sales were euro 124.835 million, an increase of euro 2.496 million (2.0%) in comparison to the same period of 2016.

### Italy

Revenues in the domestic market rose by +21.9% in 2017 compared to the same period of 2016. Both diffusion brands and luxury brands show a growth, led by Tom Ford and Dsquared for luxury brands, Guess for the diffusion brands and the housebrand Web.

### Rest of Europe

Revenues from the Rest of Europe market (euro 39.457 million) grew by +9.7% compared to the same period of 2016. Luxury brands growth was +16.7% led by Tom Ford strong contribution, while diffusion brands growth was +2.0% mainly driven by Swarovski, Timberland and the housebrand Web. In this area, continues the positive performance of the new fully operative JV's (e.g. Nordic), good performance also in France, Spain and Germany.

### Americas

In the U.S. market, revenues had a slowdown compared to the same period of 2016 (-3.0%). Slightly positive performance for luxury brands, with negative result recorded for diffusion brand, influenced by local market pressure.

### Asia

The Asian Far East market shows a decrease in revenues (-18.5%), mainly due to the slowdown in South Korea.

### Rest of World

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

During first three months of 2017 revenues, recorded at euro 16.1 million, rose by +8.7%, compared with the same period of the previous year.

In this area revenues growth was driven mainly by luxury brands.

## 8. Cost of sales

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

| Cost of sales<br>(euro/000)               | % on net      |              | % on net      |              | Increase/decrease |             |
|---|---------------|--------------|---------------|--------------|-------------------|-------------|
|   | 03/31/2017    | revenues     | 03/31/2016    | revenues     | euro              | %           |
| Product Cost                              | 47,204        | 37.8%        | 46,109        | 37.7%        | 1,095             | 2.4%        |
| Cost of personnel                         | 2,731         | 2.2%         | 2,771         | 2.3%         | (41)              | (1.5)%      |
| Amortization, depreciation and writedowns | 793           | 0.6%         | 734           | 0.6%         | 59                | 8.0%        |
| Other costs                               | 762           | 0.6%         | 710           | 0.6%         | 52                | 7.3%        |
| <b>Total</b>                              | <b>51,491</b> | <b>41.2%</b> | <b>50,325</b> | <b>41.1%</b> | <b>1,166</b>      | <b>2.3%</b> |

The cost of sales amounted to euro 51.491 million for the three months ended March 31, 2017, an increase of euro 1.166 million, or 2.3%, from euro 50.325 million for the three months ended March 31, 2016.

The cost of sales as a percentage of revenue is 41.2% for the three months ended March 31, 2017 compared to 41.1% for the three months ended March 31, 2016.

The March 2017 Gross profit is euro 1.329 million higher than previous year, growing from 72.015 million (or 58.9%) up to euro 73.344 million (or 58.8%) in 2017.

Gross profit solid performance is mainly attributable to price and cost control, despite market pressure.

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

## 9. Distribution and marketing expenses

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

| Distribution and marketing expenses<br>(euro/000) | % on net      |              | % on net      |              | Increase/decrease |             |
|---|---------------|--------------|---------------|--------------|-------------------|-------------|
|   | 03/31/2017    | revenues     | 03/31/2016    | revenues     | euro              | %           |
| Cost of personnel                                 | 12,822        | 10.3%        | 13,131        | 10.7%        | (309)             | (2.4)%      |
| Commissions                                       | 8,337         | 6.7%         | 7,207         | 5.9%         | 1,130             | 15.7%       |
| Amortization                                      | 2,089         | 1.7%         | 1,677         | 1.4%         | 412               | 24.6%       |
| Royalties   | 15,687        | 12.6%        | 14,787        | 12.1%        | 900               | 6.1%        |
| Advertising and PR                                | 7,912         | 6.3%         | 8,217         | 6.7%         | (305)             | (3.7)%      |
| Other costs                                       | 6,626         | 5.3%         | 7,957         | 6.5%         | (1,331)           | (16.7)%     |
| <b>Total</b>                                      | <b>53,474</b> | <b>42.8%</b> | <b>52,976</b> | <b>43.3%</b> | <b>497</b>        | <b>0.9%</b> |

The distribution and marketing expenses amounted to euro 53.474 million for the three months ended March 31, 2017, an increase of euro 0.497 million or 0.9% from euro 52.976 million for the nine months ended March 31, 2016.

Commissions expenses amounted to euro 8.337 million in 2017, an increase of euro 1.130 million from the euro 7.207 million for the three months ended March 31, 2016. The increase is mainly related to higher commission rates than previous year due to US subsidiary sales force reorganization.

In 2017 Royalties amounted to euro 15.687 million, an increase of 6.1%, from the euro 14.787 million for the three months ended March 31, 2016. In 2017 Royalties as a percentage of revenue is 12.6%, compared to 12.1% of 2016.

Advertising and PR expenses in 2017 amounted to euro 7.912 million, a decrease of euro 0.305 million, or 3.7%, from the euro 8.217 million in the same period of 2016. As a percentage of revenue, Advertising and PR expenses in 2017 is 6.3%, compared to 6.7% of 2016.

The "other costs" refer principally to freight expenses, business travel, rent and services. In 2017, other costs amounted to euro 6.626 million, a decrease of euro 1.331 million or 16.7%, from the euro 7.957 million for the three months ended March 31, 2016, due to positive effect coming from US freight service provider renegotiation. As a percentage of revenues they are 5.3%, compared to 6.5% for the three months ended March 31, 2016.

## 10. General and administrative expenses

The general and administrative expenses are set forth below:

| General and administrative expenses<br>(euro/000) | % on net     |             | % on net     |             | Increase/decrease |             |
|---|--------------|-------------|--------------|-------------|-------------------|-------------|
|   | 03/31/2017   | revenues    | 03/31/2016   | revenues    | euro              | %           |
| Cost of personnel                                 | 3,787        | 3.0%        | 3,489        | 2.9%        | 298               | 8.5%        |
| Writedowns of receivables                         | 505          | 0.4%        | 197          | 0.2%        | 309               | 157.0%      |
| Amortization and writedowns                       | 1,122        | 0.9%        | 730          | 0.6%        | 391               | 53.6%       |
| Other costs                                       | 3,514        | 2.8%        | 3,915        | 3.2%        | (401)             | (10.2)%     |
| <b>Total</b>                                      | <b>8,928</b> | <b>7.2%</b> | <b>8,330</b> | <b>6.8%</b> | <b>597</b>        | <b>7.2%</b> |

General and administrative expenses amounted to euro 8.928 million for the three months ended March 31, 2017, with an increase of euro 0.597 million (or 7.2%), from the euro 8.330 million for the same period of 2016. As a percentage of revenue, in 2017 general and administrative expenses is 7.2%, compared to 6.8% for 2016.

## 11. Other operating income and expenses

Other operating income and expenses consist in residual income and expense outside the ordinary business activities. Overall the amount both for 2017 and 2016 figures is not significant.

## 12. Financial income and costs

Finance costs amounted to euro 20.118 million for the three months ended March 31, 2017 compared to a finance costs of euro 13.239 million for the three months ended March 31, 2016. The significant increase compared to previous period is directly correlated to the extraordinary refinancing operation occurred on February 2017.

Finance income amounted to euro 1.458 million for the three months ended March 31, 2017, compared to euro 6.122 million for three months ended March 31, 2016. The decrease compared to previous period is mainly related to lesser gains on currency exchange.

## 13. Income tax expense

The estimated income tax expense amounted to euro 0.985 million for the three months ended March 31, 2017, compared to the euro -0.651 million for three months ended March 31, 2016.

Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force. Income tax expense has been calculated on a prudential basis, considering the tax effect on subsidiaries with taxable net income while not considering the deferred tax asset over some entities with taxable net losses and new startup companies.



## OTHER INFORMATIONS

### SUBSEQUENT EVENTS

On May 9, 2017, Marcolin Group signed a JV agreement with Rivoli Group, one of the largest luxury retailers in Middle East area. The JV, named Marcolin Middle East, is 51% owned by Marcolin Group and its headquarters will be based in Dubai in UAE. It will distribute the eyewear collections of the Marcolin's brads portfolio: Tom Ford, Balenciaga, Ermenegildo Zegna, Montblanc, Roberto Cavalli, Tod's, Emilio Pucci, Swarovski, Dsquared2, Diesel, Just Cavalli, Kenneth Cole, Timberland, Guess, Gant, Harley-Davidson, Marciano, Sketchers and Web.

### DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

The information with respect to atypical and unusual transactions, and transactions with related parties, is provided below.

#### *Significant non-recurring events and transactions*

In the first three months of 2017, there were no significant non-recurring events and/or transactions.

#### *Atypical and unusual transactions*

In the first three months of 2017 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performances or cash flows of Marcolin S.p.A. and the Group.

#### *Transactions with related parties*

In addition to the transactions between the consolidated companies, during the period transactions took place with equity-accounted associates and other related parties.

Intercompany and related-party transactions are of a trade nature and are conducted on an arm's length basis.

The transactions and outstanding balances with respect to related parties as at March 31, 2017 are shown below, as required by IAS 24. As previously noted, the Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3 Cime S.p.A.

| <b>Related Parties</b><br><i>(euro/000)</i> | <b>Expenses</b> | <b>Revenues</b> | <b>Payables</b> | <b>Receivables</b> | <b>Type</b>   |
|---|-----------------|-----------------|-----------------|--------------------|---------------|
| Tod's S.p.A.                                | 771             | 158             | 853             | 158                | Related party |
| Pai Partners Sas                            | 15              | -               | 90              | -                  | Related party |
| Coffen Marcolin Family                      | 181             | -               | 97              | -                  | Related party |
| O.T.B. Group                                | 430             | 5               | -               | 1,350              | Related party |
| 3 Cime S.p.A.                               | -               | -               | -               | 1,212              | Consolidating |
| <b>Total</b>                                | <b>1,397</b>    | <b>162</b>      | <b>1,040</b>    | <b>2,720</b>       |               |

The same table is set forth as at March 31, 2016:

| <b>Related Parties</b><br><i>(euro/000)</i> | <b>Expenses</b> | <b>Revenues</b> | <b>Payables</b> | <b>Receivables</b> | <b>Type</b>   |
|---|-----------------|-----------------|-----------------|--------------------|---------------|
| Tod's S.p.A.                                | 375             | 194             | -               | 194                | Related party |
| Pai Partners Sas                            | -               | -               | 101             | -                  | Related party |
| Coffen Marcolin Family                      | 166             | -               | 34              | -                  | Related party |
| O.T.B. Group                                | 1,025           | 10              | 1,576           | 17                 | Related party |
| 3 Cime S.p.A.                               | -               | -               | -               | 2,815              | Consolidating |
| <b>Total</b>                                | <b>1,566</b>    | <b>204</b>      | <b>1,712</b>    | <b>3,027</b>       |               |

Longarone; May 18, 2017

For the Board of Directors

C.E.O.

*Giovanni Zoppas*

**MARCOLIN**  
EYEWEAR

