MARCOLIN
EYEWEAR

MARCOLIN GROUP

3rd QUARTER REPORT

September 30, 2016

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

CONTENTS

GENERAL INFORMATION

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]

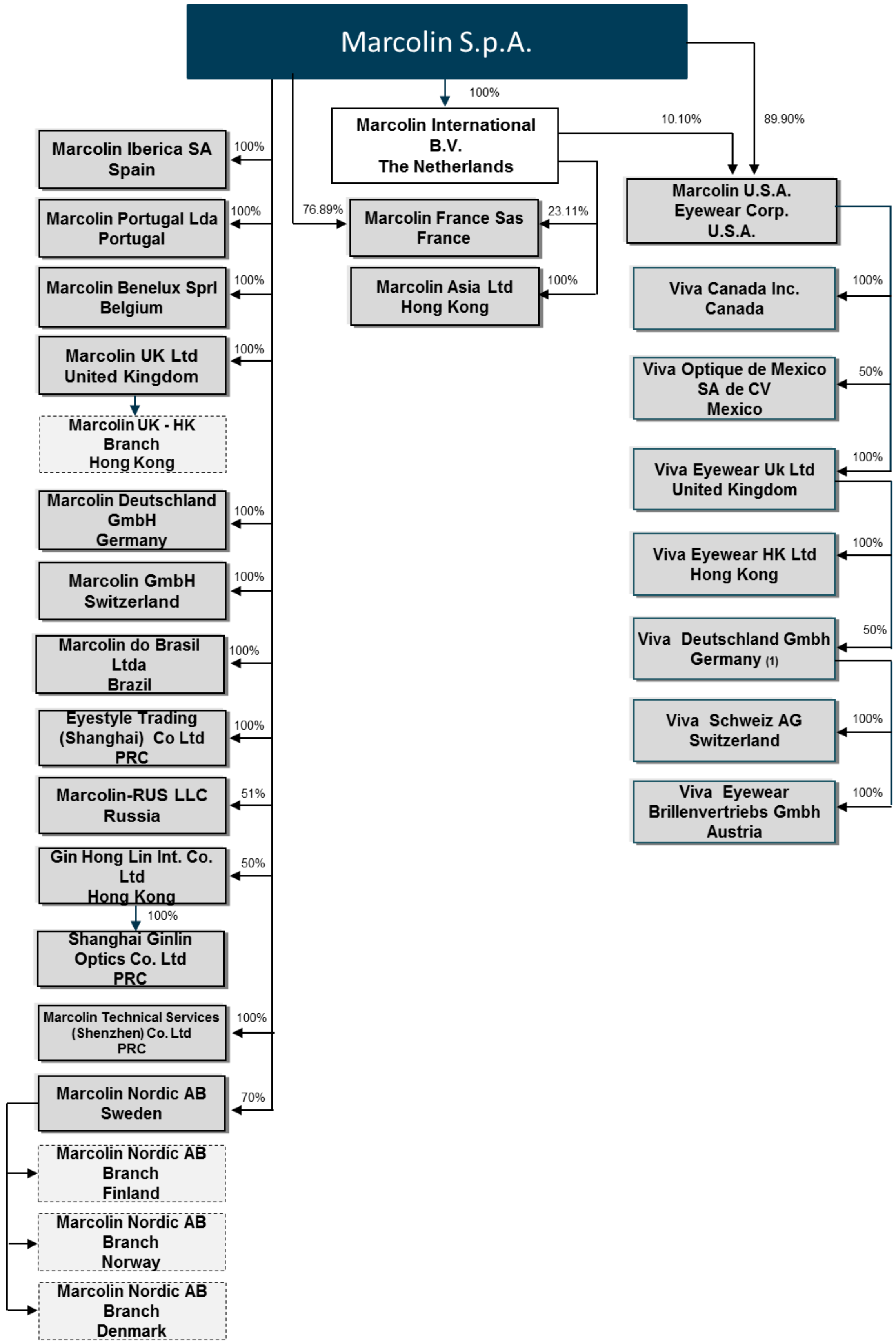
PricewaterhouseCoopers S.p.A.

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 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



NOTES:
(1) JV and distribution agreement extended till December 31, 2017, for the whole sub-group.

MARCOLIN GROUP 3rd QUARTER
CONSOLIDATED FINANACIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Notes	09/30/2016	12/31/2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	25,075	27,258
Intangible assets	1	47,915	46,043
Goodwill	1	285,280	288,225
Investments in subsidiaries and associates	1	832	1,775
Deferred tax assets	1	32,770	36,793
Other non-current assets	1	566	563
Non-current financial assets	1; 6	3,772	4,461
Total non-current assets		**396,209**	**405,119**
CURRENT ASSETS			
Inventories	2	124,297	120,214
Trade receivables	2	66,938	75,226
Other current assets	2	14,528	15,392
Current financial assets	2; 6	1,440	1,022
Cash and bank balances	2; 6	43,328	40,382
Total current assets		**250,530**	**252,236**
TOTAL ASSETS		**646,739**	**657,355**
EQUITY			
Share capital	3	32,312	32,312
Additional paid-in capital	3	151,994	151,994
Legal reserve	3	4,077	4,077
Other reserves	3	51,872	59,017
Retained earnings (losses)	3	(19,447)	(16,903)
Profit (loss) for the year	3	4,968	(2,543)
Non controlling interests	3	1,931	1,969
TOTAL EQUITY		**227,708**	**229,924**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	200,687	200,626
Non-current provisions	4	9,084	8,703
Deferred tax liabilities	4	8,290	10,379
Other non-current liabilities	4	174	5,758
Total non-current liabilities		**218,235**	**225,465**
CURRENT LIABILITIES			
Trade payables	5	108,985	120,787
Current financial liabilities	5; 6	62,800	58,226
Current provisions	5	353	423
Tax liabilities	5	6,246	4,375
Other current liabilities	5	22,411	18,156
Total current liabilities		**200,796**	**201,967**
TOTAL LIABILITIES		**419,031**	**427,432**
TOTAL LIABILITIES AND EQUITY		**646,739**	**657,355**

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	09/30/2016	%	09/30/2015	%
NET REVENUES	7	**335,142**	**100.0%**	**323,371**	**100.0%**
COST OF SALES	8	(141,984)	(42.4)%	(133,525)	(41.3)%
GROSS PROFIT		**193,159**	**57.6%**	**189,846**	**58.7%**
DISTRIBUTION AND MARKETING EXPENSES	9	(148,429)	(44.3)%	(150,419)	(46.5)%
GENERAL AND ADMINISTRATION EXPENSES	10	(22,929)	(6.8)%	(25,443)	(7.9)%
OPERATING INCOME / EXPENSES	11	1,292	0.4%	3,068	0.9%
OPERATING INCOME - EBIT		**23,092**	**6.9%**	**17,051**	**5.3%**
FINANCIAL INCOME AND COSTS	12	(14,501)	(4.3)%	(17,556)	(5.4)%
PROFIT BEFORE TAXES		**8,591**	**2.6%**	**(505)**	**(0.2)%**
INCOME TAX EXPENSE	13	(3,649)	(1.1)%	(5,291)	(1.6)%
NET PROFIT FOR THE PERIOD		**4,943**	**1.5%**	**(5,796)**	**(1.8)%**
Profit attributable to:					
Owners of the parent		4,968	1.5%	(5,820)	(1.8)%
Non controlling interests		(26)	(0.0)%	24	0.0%

(euro/000)	09/30/2016	09/30/2015
NET PROFIT FOR THE PERIOD	**4,943**	**(5,796)**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
Other effects	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**-**	**-**
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(7,093)	7,408
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(7,093)**	**7,408**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**(2,151)**	**1,612**

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 reserves**	**Retained earnings/(losses)**	**Profit/(loss) for the year**	**Period result**	**Capital and reserves net total**	**Non controlling interests in equity**	**Total**
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)	5,904	(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 profit	-	-	-	-	-	-	-	(2,543)	2,543	-	-	-
Other movements	-	-	-	-	-	(2)	-	-	-	(2)	(64)	(65)
- Period result	-	-	-	-	-	-	-	-	*4,968*	*4,968*	*(26)*	*4,943*
- Other components of comprehensive income	-	-	-	-	*(7,144)*	-	-	-	-	*(7,144)*	*51*	*(7,093)*
Total comprehensive income	-	-	-	-	(7,144)	-	-	-	4,968	(2,176)	25	(2,151)
September 30, 2016	**32,312**	**151,994**	**4,077**	**46,108**	**5,655**	**121**	**(12)**	**(19,447)**	**4,968**	**225,777**	**1,931**	**227,708**

CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	**09/30/2016**	**12/31/2015**
OPERATING ACTIVITIES		
Profit for the period	*4,943*	*(2,513)*
Depreciation and amortization	9,498	10,954
Provisions	(1,724)	4,044
Income tax expense	3,649	10,082
Accrued financial income and costs	14,502	20,548
Adjustments to other non-cash items	(87)	(5,347)
Cash generated by operations	*30,780*	*37,768*
(Increase) decrease in trade receivables	9,554	(7,068)
(Increase) decrease in other receivables	450	(2,159)
(Increase) decrease in inventories	(1,665)	(18,932)
(Decrease) increase in trade payables	(10,736)	20,063
(Decrease)/increase in other liabilities	(673)	5,016
(Use) of provisions	(726)	(2,884)
(Decrease)/increase in current tax liabilities	1,524	(3,742)
Adjustments to other non-cash items	(162)	(4,723)
Income taxes paid	(374)	1,277
Interest paid	(10,306)	(19,043)
Cash used for current operations	*(13,114)*	*(32,195)*
Net cash from /(used in) operating activities	**17,665**	**5,574**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(2,036)	(7,153)
Proceeds from the sale of property, plant and equipment	(5)	68
(Purchase) of intangible assets	(15,566)	(14,830)
Investments in subdiaidries and associates	945	-
Net cash from /(used in) investing activities	**(16,663)**	**(21,914)**
FINANCING ACTIVITES		
Loans granted:		
- Increase	370	2,015
- Decrease	-	-
Net increase (decrease) in bank borrowings	2,376	(2,629)
Loans taken out:		
- new loans	16,901	74,046
- repayments	(16,626)	(55,784)
Capital increase	-	1,005
Dividends paid	(62)	(188)
Net cash from /(used in) financing activities	**2,960**	**18,465**
Net increase/(decrease) in cash and cash equivalents	**3,962**	**2,124**
Effect of foreign exchange rate changes	(1,016)	1,325
Cash and cash equivalents at beginning of year	**40,382**	**36,933**
Cash and cash equivalents at end of year	**43,328**	**40,382**

NOTES TO THE 3rd 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 2015 the Marcolin group sold an estimated 15 million pairs of eyeglasses and sunglasses worldwide, with sales exceeding euro 434 million.

In 2014 and 2015 Marcolin successfully moved forward with the Viva integration plan, which entailed reorganizing distribution networks on an international scale, reviewing logistic flows, improving the efficiency of business structures in the countries present, and consequentially revising the cost structures. Such activities ended on schedule in December 2015 with the sale of Viva Canada's business to Marcolin USA Eyewear, Corp.

The merger of Viva's and Marcolin's operations has also generated significant cost synergies of approximately €10 million in terms of organization, sourcing, production and distribution, as well as cross-selling opportunities arising from the integration of the sales and distribution networks.

The Viva acquisition has bolstered Marcolin's distribution capacity on the American market. 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.

Thanks to Viva's products and markets complementing those of the Marcolin group, 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 2015, the Marcolin group had sales exceeding euro 434 million and some 1,710 employees (including 510 in the American affiliates), plus a widespread, well-structured network of independent agents.

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Today Marcolin Group has a strong brand portfolio, with a good balance between luxury brands (high-end products distinguished by their exclusivity and distinctiveness and often characterized by a higher retail price) and mainstream ("diffusion") products (products influenced by fashion and market trends positioned in the mid and upper-mid price segments targeting a wider customer base), men's and women's products, and prescription frames and sunglasses.

The luxury segment includes glamorous fashion brands such as Tom Ford, Tod's, Balenciaga, Roberto Cavalli, Montblanc, Zegna, Pucci and from 2016 Moncler and Omega, while the diffusion segment includes brands such as Diesel, Swarovski, DSquared2, Just Cavalli, Timberland, Cover Girl, Kenneth Cole New York and Kenneth Cole Reaction.

The house brands are the traditional "Marcolin" brand as well as National and Web.

Marcolin Group always continue with its efforts to rationalize and optimize the brands and collections offered to its clients. This process has included in 2015 the following activities:

- New Licensing Agreements: Moncler (till 2020), the five-year, renewable license has become effective in January 2016;
- Renewal of Licensing Agreements: Tom Ford (till 2029), Montblanc (till 2018), Timberland (till 2018), Kenneth Cole (till 2021), Candie's (till 2020), Bongo and Rampage (till 2017).

Licensing events occurred during 2016:

- On July 6, 2016, Marcolin Group and Omega announced a new partnership to co-design eyewear collection that will be available exclusively in Omega boutiques around the world from August 2016;
- On May 24, 2016, Marcolin Group and Dsquared2 announced the early renewal of an exclusive license agreement for the design, manufacture and worldwide distribution of Dsquared2 sun and optical eyewear. The agreement extends the current partnership duration until 2021.

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In 2016, production activities will significantly benefit from Fortogna building purchased in January 2015 and re-qualified in record time (start producing in May 2015). The new palnt allowed Marcolin to double its Italian manufacturing operation with a new 3,500 square meter factory in Longarone (Fortogna locality), close to its historic headquarters, also benefitting employment levels by dedicating important resources to production.

Important achievements came from the consolidation and development of Marcolin’s production capacity in Italy, main advantages are:

- reduced dependence on external suppliers,
- increase productivity with reduction of the lead time by 1 week and increase the ability to seize market opportunities;
- made in/made out realignment according to the eyewear industry standards (and those of the main competitors) and 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.

This will enable to immediately undertake the business plan necessary to promote the Group's growth, and to obtain savings from the insourcing of production, with positive results gained partially during 2015 and fully from 2016 onwards.

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ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Accounting policies

The financial statements for the nine months ended September 30, 2016 were prepared according to the accounting policies established by the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) adopted by the European Union, under the procedures set forth in Regulation no. 1606/2002, Article 6 of the European Parliament and European Council on July 19, 2002 concerning application of international accounting standards, and the enactment measures for Italian Legislative Decree no. 38/2005.

The consolidation policies adopted for the preparation of the financial statements for the nine months ended September 30, 2016 are consistent with those used to prepare the annual financial statements as at December 31, 2015, which may be referred to in this respect.

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, 2015.
Since the figures are reported in thousands of euros, slight differences may emerge due to rounding off.

Consolidated companies

The Marcolin Group's financial statements for the nine months ended September 30, 2016 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

The companies consolidated on a line-by-line basis and the companies consolidated throw 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	Barcellona, 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 Canada Inc	New Brunswick, Canada	CAD	347,640	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%
Joint Ventures						
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	372,583	Full	51.00%	
Gin Hong Lin Intenational 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%	

As of September 30, 2016 Viva Australia Pty Ltd has been deconsolidated due to the finalization of the liquidation process. No other changes in consolidation area occurred during the nine month ended September 30, 2016.

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.
From the current year to December 31, 2016, the tax consolidation regime will 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.

Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to September 30, 2016 and January-to-September 2016, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		09/30/2016	12/31/2015	*Change*	09/30/2016	09/30/2015	*Change*
Australian Dollar	AUD	1.466	1.490	(1.6)%	1.505	1.426	5.5%
Brasilian Real	BRL	3.621	4.312	(16.0)%	3.956	3.310	19.5%
Canadian Dollar	CAD	1.469	1.512	(2.8)%	1.475	1.377	7.1%
Swiss Franc	CHF	1.088	1.084	0.3%	1.094	1.057	3.5%
Renminbi	CNY	7.446	7.061	5.5%	7.347	6.941	5.8%
Danish Krone	DKK	7.451	7.463	(0.2)%	7.447	7.456	(0.1)%
English Pound	GBP	0.861	0.734	17.3%	0.803	0.732	9.7%
Hong Kong Dollar	HKD	8.655	8.438	2.6%	8.666	8.652	0.2%
Mexican Pesos	MXN	21.739	18.915	14.9%	20.430	16.889	21.0%
Norwegian Krone	NOK	8.987	9.603	(6.4)%	9.375	8.648	8.4%
Russian Rublo	RUB	70.514	80.674	(12.6)%	76.183	64.641	17.9%
Swedish Krona	SEK	9.621	9.190	4.7%	9.373	9.340	0.4%
US Dollar	USD	1.116	1.089	2.5%	1.116	1.116	0.0%

ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets *(euro/000)*	09/30/2016	12/31/2015	Increase/decrease	
			euro	%
Property, plant and equipment	25,075	27,258	(2,183)	(8.0)%
Intangible assets	47,915	46,043	1,872	4.1%
Goodwill	285,280	288,225	(2,946)	(1.0)%
Investments in subsidiaries and associates	832	1,775	(943)	(53.1)%
Deferred tax assets	32,770	36,793	(4,024)	(10.9)%
Other non-current assets	566	563	3	0.5%
Non-current financial assets	3,772	4,461	(689)	(15.5)%
Total non-current assets	**396,209**	**405,119**	**(8,910)**	**(2.2)%**

The net value of non-current assets decrease by euro 8.910 million from December 31, 2015, mainly due to amortization and depreciation on tangible and intangible assets, goodwill which decrease by euro 2.946 million due to the translation effect of the period and deferred tax asset which decrease by euro 4.024 million due to utilization of previous year fiscal losses.

The capital expenditures over the period covered by this analysis primarily consist in:

- the maintenance, replacement and modernization of our production and logistics facilities (plant, machinery and equipment);
- investments in intangibles, mainly related to the lump sum agreed with some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, intangible assets include the U.S. Subsidiary and Parent Company’s software and business application implementation.

2. Current assets

The composition of current assets is shown below:

Current assets *(euro/000)*	09/30/2016	12/31/2015	Increase/decrease	
			euro	%
Inventories	124,297	120,214	4,084	3.4%
Trade receivables	66,938	75,226	(8,288)	(11.0)%
Other current assets	14,528	15,392	(865)	(5.6)%
Current financial assets	1,440	1,022	418	40.9%
Cash and bank balances	43,328	40,382	2,946	7.3%
Total current assets	**250,530**	**252,236**	**(1,705)**	**(0.7)%**

The total value of current assets decrease by euro 1.705 million from December 31, 2015, mainly as a result of the combined effect of the changes listed below.

The net value of inventories increased by euro 4.084 million compared to the previous year. The increase in closing inventories compared to December 2015 is mainly due by business seasonality partially offset by actions planned by management for 2016, that will continue to drive the inventory optimization throughout the year. In 2016 the total "days on inventory" (DOI), including raw materials, work in process and finished goods went down by 3 days in respect to 2015 year end and by 2 days in respect to September 30, 2015.

Trade receivables at the end of September 2016 were lower than December 2015 due to both turnover seasonality and actions taken by management to improve DSO.

In the first nine months of 2016, we see the results of the initiatives launched in 2015 (i.g. Just One project) on credit and client management, that made possible to reduce the Group's days sales outstanding (DSO) at September 30, 2016 by 7 days and the credit quality of 2% compared to the period ended September 30, 2015.

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

3. Equity

The changes in equity refer mainly to the net profit of euro 4.943 million and the recognition of the other components of comprehensive income of euro -7.093 million for the period (related to the translation differences reserve).

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities *(euro/000)*	**09/30/2016**	**12/31/2015**	**Increase/decrease**	
			euro	**%**
Non-current financial liabilities	200,687	200,626	61	0.0%
Non-current provisions	9,084	8,703	381	4.4%
Deferred tax liabilities	8,290	10,379	(2,088)	(20.1)%
Other non-current liabilities	174	5,758	(5,584)	(97.0)%
Total non-current liabilities	**218,235**	**225,465**	**(7,230)**	**(3.2)%**

Non-current liabilities decrease by euro 7.230 million, mainly as a result of the combined effect of the changes listed below:

- a decrease of deferred tax liabilities for euro 2.088 million, due to the effect of temporal tax adjustment in the period;
- a decrease of other non-current liabilities for euro 5.584 million, mainly due to the payment of some non-current payables.

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	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 4%	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 signed on 18th November 2013 - Euro 5.000.000 signed on 15th July 2016
Unicredit S.p.A.	euro	5,000,000	2,812,500	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	1,525,196	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	1,000,000	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	1,899,969	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	251,710	12/31/2016	Euribor 6 months + spread	Loan granted on December 10, 2015, repayable in monthly installments from January 10, 2016
Banca Popolare FriulAdria S.p.A.	euro	1,500,000	1,202,605	09/28/2017	Euribor 3 months + spread	Loan granted on June 28, 2016, repayable in 5 quarterly installments from September 28, 2016
Banco Popolare s.c.r.l.	euro	3,000,000	3,000,000	03/31/2019	Euribor 3 months + spread	Loan granted on September 30, 2016, repayable in 10 quarterly installments from December 31, 2016

5. Current liabilities

Current liabilities are set forth below:

Current liabilities *(euro/000)*	**09/30/2016**	**12/31/2015**	**Increase/decrease**	
			euro	**%**
Trade payables	108,985	120,787	(11,802)	(9.8)%
Current financial liabilities	62,800	58,226	4,574	7.9%
Current provisions	353	423	(70)	(16.5)%
Other current liabilities	28,658	22,531	6,127	27.2%
Total current liabilities	**200,796**	**201,967**	**(1,170)**	**(0.6)%**

Current liabilities as at September 30, 2016 show a decrease of euro 1.170 million compared to December 31, 2015.

In particular, the following may be observed:

- Trade payables as at September 30, 2016 amounted to euro 109.0 million, The decrease compared to December 31, 2015 is mainly due to extraordinary payment of renewal fees;

- 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, 2015 mainly due to the accrued Bond interests as at September 30, 2016;
- the increase in other current liabilities is 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 position

The net financial position/(indebtedness) as at September 30, 2016 is set forth below in comparison with December 31, 2015:

Net financial position / (indebtedness)	09/30/2016	12/31/2015	Increase/decrease	
(euro/000)			euro	%
Cash and cash equivalents	43,328	40,382	2,946	7.3%
Financial assets	5,211	5,483	(271)	(4.9)%
Short-term borrowings	(62,800)	(58,226)	(4,574)	7.9%
Long-term borrowings	(200,687)	(200,626)	(61)	0.0%
Total	**(214,949)**	**(212,988)**	**(1,961)**	**0.9%**

The net balance is indebtedness of euro 214.949 million, compared to the indebtedness of euro 212.988 million at December 31, 2015.

The cash generation shown in 2016 is primarily attributable to cash generation from operating activities partially absorbed by investing activities and interests as shown in the Consolidated Statement of Cash Flows and explained in notes 2 and 5.

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The main component of the total financial debt is the HY Bond, which was issued in November 2013, with maturity on November 14, 2019, a nominal value of euro 200 million, and 8.5% interest (paid semiannually).

The other main component of total financial debt is the revolving credit facility of euro 30.0 million that it was drawn for euro 25.0 million as of September 30, 2016.

In addition, we have financial facilities, mix of amortized and revolving credit lines, euro 17.6 million of short term borrowings and euro 5.4 million of medium-long term loans, granted to support the Group growth.

The bank credit in the form of a bill discounting facility (around euro 10.5 million) used in the ordinary course of business shown as of September 2016 is lower than the amount as of December 31, 2015 (around euro 13.2 million).

Finally, financial liabilities also include an amount of US$ 3.0 million due to HVHC, Inc. Group, (same amount as of December 2015) recognized as current financial liabilities since the residual amount is due at the end of 2016 and discounted in accordance with the applicative accounting standards.

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ANALYSIS OF CONSOLIDATED INCOME STATEMENT

The Group's interim Consolidated Income Statement at September 30, 2016 is summarized below against the reported interim results as at September 30, 2015.

The 2016 revenues to date are euro 335.142 million, compared to euro 323.371 million for the first nine months of 2015.

The September 2016 Reported Ebitda is euro 33.031 million, compared to 25.420 million for the nine months of 2015.
Reported Ebit is euro 23.092 million, compared to euro 17.051 million for the nine months of 2015.

Consolidated income statement	**09/30/2016**		**09/30/2015**	
(euro/000)	**euro**	**% of revenue**	**euro**	**% of revenue**
Net revenues	335,142	100.0%	323,371	100.0%
Gross profit	193,159	57.6%	189,846	58.7%
Ebitda	33,031	9.9%	25,420	7.9%
Operating income - Ebit	23,092	6.9%	17,051	5.3%
Financial income and costs	(14,501)	(4.3)%	(17,556)	(5.4)%
Profit before taxes	8,591	2.6%	(505)	(0.2)%
Net profit for the period	4,943	1.5%	(5,796)	(1.8)%

Economic indicator - adjusted	**09/30/2016**		**09/30/2015**	
(euro/000)	**euro**	**% of revenue**	**euro**	**% of revenue**
Ebitda	35,029	10.5%	34,934	10.8%
Operating income - Ebit	25,090	7.5%	26,565	8.2%

The Group’s results were influenced by non-recurring transactions, which adversely impacted the Reported Ebitda both for the nine-month period ended September 30, 2016 and for the nine-month period ended September 30, 2015.

In order to better understand the business performance, those effects must be eliminated. In 2016 they only refer to one-off charges for lay-offs and other discontinued operation, while in 2015 they referred to discontinued Arizona operation and other extraordinary items related to Viva integration project.

Excluding the effects of those transactions, the September 2016 Adjusted Ebitda is euro 35.029 million (10.5% of net sales), against the September 2015 Adjusted Ebitda of euro 34.934 million (10.8% of net sales).

7. Net Revenues

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

Net Sales by geographical area (euro/000)	09/30/2016		09/30/2015		Increase (decrease)	
	Turnover	% on total	Turnover	% on total	Turnover	Change
Italy	*23,167*	*6.9%*	*18,845*	*5.8%*	*4,322*	*22.9%*
Rest of Europe	*97,977*	*29.2%*	*81,049*	*25.1%*	*16,928*	*20.9%*
Europe	121,144	36.1%	99,894	30.9%	21,250	21.3%
Americas	146,345	43.7%	160,694	49.7%	(14,349)	(8.9)%
Asia	26,493	7.9%	27,649	8.6%	(1,155)	(4.2)%
Rest of World	41,160	12.3%	35,135	10.9%	6,025	17.1%
Total	**335,142**	**100.0%**	**323,371**	**100.0%**	**11,771**	**3.6%**

In the first nine months of 2016 sales revenues were euro 335.142 million, an increase of euro 11.771 million (3.6%) in comparison to the same period of 2015.

Italy
Revenues in the domestic (Italian) market rose by +22.9% in 2016 compared to the same period of 2015.
Both diffusion brands and luxury brands had double-digit growth, led by Web, Guess and Swarovski for the diffusion brands, and Tom Ford and Dsquared for luxury brands.

Rest of Europe
Revenues from the Rest of Europe market (euro 98.0 million) grew by +20.9% compared to the same period of 2015 and at constant exchange rate the increase is even greater (+23.8%) mainly due to the exchange rate fluctuation on GBP and RUB.
Luxury brands growth was +25.0% due to Tom Ford strong contribution, while diffusion brands growth was +16.7% mainly driven by Guess, Swarovski and Gant.
The prescription frames segment growth was +21.6%, while the sunglasses one increased by +20.1%.
In this area, continues the positive performance of the new fully operative JV's (e.g. Nordic), strong growth as well in France, Spain and Germany, also thanks to the new structure of the sales force.

Americas
In the U.S. market, revenues had a slowdown compared to the same period of 2015 (-8.9%). Slightly positive performance for luxury brands (+1.1%), while a negative result is recorded for diffusion brand (-14.2%).

Asia
The Asian Far East market shows a decrease in revenues (-4.2%), main drivers are the slowdown in south Korea and China markets.

Rest of World
From a geographical standpoint, the "Rest of the World" includes the Middle East, the Mediterranean area and Africa.
During first nine months of 2016 revenues, recorded at euro 41.2 million, rose by +17.1%, compared with the same period of the previous year.
In this area revenues growth was driven by both luxury brands for +16.4% and diffusion brands for +18.9% .
Good performances in particular for the areas of Mediterranean and Africa considering the social and economic turmoil in these areas.

8. Cost of sales

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

Cost of sales		**% on**		**% on**	**Increase/decrease**	
(euro/000)	**09/30/2016**	**revenues**	**09/30/2015**	**revenues**	**euro**	**%**
Product Cost	130,480	38.9%	116,989	36.2%	13,492	11.5%
Cost of personnel	7,755	2.3%	11,212	3.5%	(3,457)	(30.8)%
Amortization, depreciation and writedowns	2,308	0.7%	1,901	0.6%	407	21.4%
Other costs	1,440	0.4%	3,423	1.1%	(1,983)	(57.9)%
Total	**141,984**	**42.4%**	**133,525**	**41.3%**	**8,459**	**6.3%**

The cost of sales amounted to euro 141.984 million for the nine months ended September 30, 2016, an increase of euro 8.459 million, or 6.3%, from euro 133.525 million for the nine months ended September 30, 2015.
The cost of sales as a percentage of revenue is 42.4% for the nine months ended September 30, 2016 compared to 41.3% for the nine months ended September 30, 2015.

The September 2016 Gross profit is euro 3.313 million higher than previous year, growing from 189.846 million (or 58.7%) up to euro 193.159 million (or 57.6%) in 2016.
Gross profit percentage is mainly driven by a different sales mix both in distribution channel and destination market compared to the nine months ended September 30, 2015.

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					**Increase/decrease**	
(euro/000)	**09/30/2016**	**% on revenues**	**09/30/2015**	**% on revenues**	**euro**	**%**
Cost of personnel	35,721	10.7%	38,222	11.8%	(2,501)	(6.5)%
Commissions	19,555	5.8%	21,429	6.6%	(1,874)	(8.7)%
Amortization	5,168	1.5%	3,832	1.2%	1,336	34.9%
Royalties	41,617	12.4%	40,698	12.6%	918	2.3%
Advertising and PR	24,211	7.2%	23,067	7.1%	1,144	5.0%
Other costs	22,156	6.6%	23,171	7.2%	(1,015)	(4.4)%
Total	**148,429**	**44.3%**	**150,419**	**46.5%**	**(1,990)**	**(1.3)%**

The distribution and marketing expenses amounted to euro 148.429 million for the nine months ended September 30, 2016, a decrease of euro 1.990 million or 1.3% from euro 150.419 million for the nine months ended September 30, 2015.

In 2016 Royalties amounted to euro 41.617 million, an increase of 2.3%, from the euro 40.698 million for the nine months ended September 30, 2015. In 2016 Royalties as a percentage of revenue is 12.4%, compared to 12.6% of 2015 thanks to reduction of minimum guaranteed royalties.

Advertising and PR in 2016 amounted to euro 24.211 million, an increase of euro 1.144 million, or 5.0%, from the euro 23.067 million in the same period of 2015. As a percentage of revenue, Advertising and PR expenses in 2016 is 7.2%, compared to 7.1% of 2015.

The “other costs” refer principally to freight expenses, business travel, rent and services. In 2016, other costs amounted to euro 22.156 million, a decrease of euro 1.015 million or 4.4%, from the euro 23.171 million for the nine months ended September 30, 2015. As a percentage of revenue they are 6.6%, compared to 7.2% for the nine months ended September 30, 2015.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses *(euro/000)*	**09/30/2016**	**% on revenues**	**09/30/2015**	**% on revenues**	**Increase/decrease euro**	**%**
Cost of personnel	9,838	2.9%	11,193	3.5%	(1,355)	(12.1)%
Writedowns of receivables	441	0.1%	581	0.2%	(140)	(24.1)%
Amortization and writedowns	2,021	0.6%	2,056	0.6%	(35)	(1.7)%
Other costs	10,630	3.2%	11,615	3.6%	(984)	(8.5)%
Total	**22,929**	**6.8%**	**25,443**	**7.9%**	**(2,514)**	**(9.9)%**

General and administrative expenses amounted to euro 22.929 million for the nine months ended September 30, 2016, with a decrease of euro 2.514 million (or 9.9%), from the euro 25.443 million for the same period of 2015. As a percentage of revenue, in 2016 general and administrative expenses is 6.8%, compared to 7.9% for 2015.

The decrease in 2016 is mainly driven by synergies and successful actions to improve efficiency and cost control. Also 2016 benefits from lower one-offs compared to 2015 (respectively euro 0.3 million and euro 2.2 million). As a percentage of revenues, excluding such one-offs, general and administrative expenses is respectively euro 22.612 million (or 6.7% of revenues) in 2016 compared to euro 23.290 million (or 7.2% of revenues) in 2015.

11. Other operating income and expenses

Other operating income and expenses refers mainly in the result of equity method consolidation of participations and other residual revenues and expenses. They totally resulted in net income of euro 1.292 million for the nine months ended September 30, 2016, compared to the net operating income of euro 3.068 million for the nine months ended September 30, 2015.
As a percentage of revenue, in 2016 other operating income and expenses is 0.4%, compared to 0.9% for 2015.

12. Financial income and costs

Net finance costs amounted to euro 14.501 million for the nine months ended September 30, 2016, compared to a net finance costs of euro 17.556 million for the nine months ended September 30, 2015.
Both in 2016 and in 2015 this item includes primarily interest on the bond notes issued by Marcolin S.p.A. for euro 12.7 million, bank interest expense and other financial costs and discounts incurred by Marcolin and its subsidiaries, in addition to translation differences.
The change in respect to previous year is mostly due to higher gains on currencies exchange, partially offset by higher financial interests (however the overall incidence of financial interest is in line with previous year).

13. Income tax expense

The estimated income tax expense amounted to euro 3.649 million for the nine months ended September 30, 2016, a decrease of euro 1.642 million, compared to the euro 5.291 million for nine months ended September 30, 2015.
Income tax expense as a percentage of revenue is 1.1% for the nine months ended September 30, 2016, compared to 1.6% for the nine months ended September 30, 2015.
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.
Most of the income tax expense will not be a cash-out figure since the Group will use previous tax losses carried forward.

OTHER INFORMATIONS

SUBSEQUENT EVENTS

There were no significant subsequent events and/or transactions.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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

Significant non-recurring events and transactions

In the first nine months of 2016, there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first nine months of 2016 there were no atypical and/or unusual transactions, including with other Group companies, nor any transactions outside the scope of the ordinary business activity that could have significantly impacted the financial position, financial performances or cash flows of Marcolin S.p.A. and the Group.

Transactions with related parties

In addition to the transactions between the consolidated companies, during the period transactions took place with equity-accounted associates and other related parties.
Intercompany and related-party transactions are of a trade nature and are conducted on an arm's length basis.

The transactions and outstanding balances with respect to related parties as at September 30, 2016 are shown below, as required by IAS 24. As previously noted, the Marcolin Group figures reflect the participation in the Italian tax consolidation regime with the Parent Company 3 Cime S.p.A.

Related Parties *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Tod's S.p.A.	1,096	283	23	-	Related party
Pai Partners Sas	45	2	45	-	Related party
Coffen Marcolin Family	519	0	40	-	Related party
O.T.B. Group	2,011	45	2,364	42	Related party
3 Cime S.p.A.	-	-	-	1,626	Consolidating
Total	**3,671**	**331**	**2,472**	**1,668**	

Longarone; October 27, 2016

For the Board of Directors

C.E.O.
Giovanni Zoppas

MARCOLIN
EYEWEAR