MARCOLIN
EYEWEAR

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

Registered Office, Executive Management and Business Offices
Longarone (BL) – Z.I. Villanova, 4
Issued capital euro 35,902,749.82 fully paid in
R.E.A. n. 64334
Tax code and Companies Register n. BL 01774690273
VAT n. 00298010257

CONTENTS

GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors [1]

Vittorio Levi	Chairman
Massimo Renon	C.E.O. and General Manager
Giovanni Zoppas	Executive Vice Chairman
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]

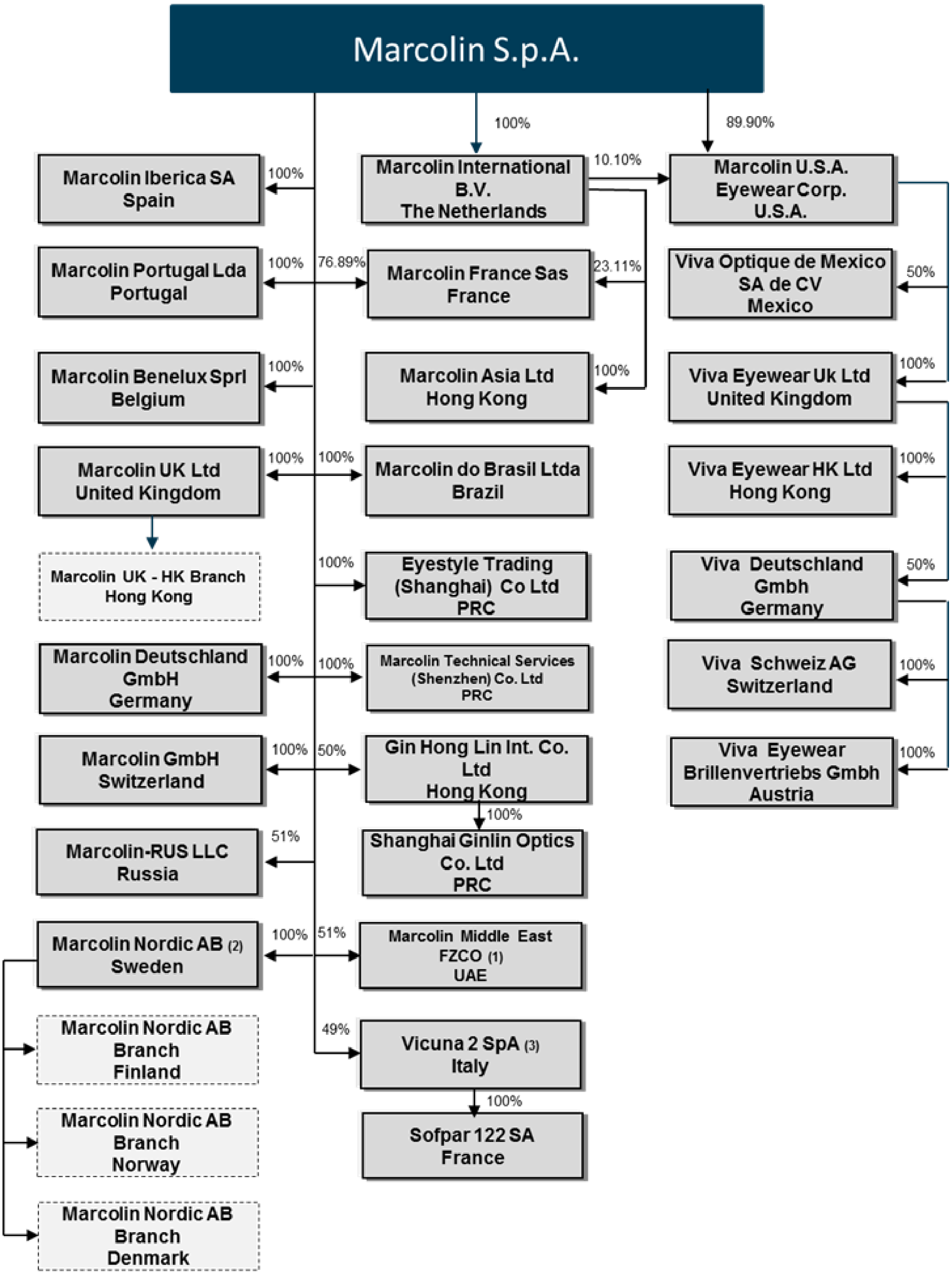
PricewaterhouseCoopers S.p.A.

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). Effective from October 19, 2017 Massimo Renon has been elected as director and then he has been appointed as Marcolin Group's CEO, while Giovanni Zoppas as Executive Vice Chairman. Refer to section "Introduction" on paragraph "Notes to the Interim Condensed Consolidated Financial Statements" for information regarding changes of governance occurred on October 2017.

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



(1) Joint Venture between Marcolin S.p.A. and Rivoli Group LLC established on March 23, 2017. The 51% share acquisition from Rivoli Group LLC has been completed on June 6, 2017.
(2) Marcolin S.p.A. acquired the residual 30% share on May 9, 2017.
(3) Joint Venture between Marcolin S.p.A. and LVMH Group. Marcolin S.p.A. acquired 49% shares of the entity on Aug 8, 2017. Refer to section “Introduction” on paragraph “Notes to the Interim Condensed Consolidated Financial Statements” for more information regarding this investment.

INTERIM CONDENSED
CONSOLIDATED FINANACIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	Notes	09/30/2017	12/31/2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	25,447	25,513
Intangible assets	1	44,046	49,824
Goodwill	1	283,750	290,902
Investments in subsidiaries and associates	1	1,015	907
Deferred tax assets	1	41,532	35,950
Other non-current assets	1	398	465
Non-current financial assets	1; 6	3,132	3,797
Total non-current assets		**399,319**	**407,360**
CURRENT ASSETS			
Inventories	2	137,462	126,914
Trade receivables	2	70,080	72,643
Other current assets	2	16,939	13,067
Current financial assets	2; 6	12,822	699
Cash and cash equivalents	2; 6	29,149	42,230
Total current assets		**266,452**	**255,553**
TOTAL ASSETS		**665,771**	**662,912**
EQUITY			
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	37,132	55,871
Retained earnings (losses)	3	(31,947)	(19,447)
Profit (loss) for the period	3	(5,120)	12,167
Group equity		**188,634**	**236,975**
Non controlling interests	3	2,803	2,052
TOTAL EQUITY		**191,437**	**239,027**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	254,737	199,866
Non-current funds	4	7,941	7,487
Deferred tax liabilities	4	7,148	7,602
Other non-current liabilities	4	77	86
Total non-current liabilities		**269,904**	**215,040**
CURRENT LIABILITIES			
Trade payables	5	111,603	128,526
Current financial liabilities	5; 6	58,991	51,697
Current funds	5	420	352
Tax liabilities	5	9,806	6,484
Other current liabilities	5	23,609	21,787
Total current liabilities		**204,430**	**208,846**
TOTAL LIABILITIES		**474,334**	**423,886**
TOTAL LIABILITIES AND EQUITY		**665,771**	**662,912**

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	Notes	09/30/2017	%	09/30/2016	%
NET REVENUES	7	**341,520**	**100.0%**	**335,142**	**100.0%**
Cost of sales	8	(139,719)	(40.9)%	(141,984)	(42.4)%
GROSS PROFIT		**201,801**	**59.1%**	**193,159**	**57.6%**
Distribution and marketing expenses	9	(155,438)	(45.5)%	(148,429)	(44.3)%
General and administrative expenses	10	(24,364)	(7.1)%	(22,929)	(6.8)%
Other operating income/(expenses)	11	317	0.1%	1,292	0.4%
OPERATING INCOME - EBIT		**22,315**	**6.5%**	**23,092**	**6.9%**
Financial income	12	8,396	2.5%	12,828	3.8%
Financial costs	12	(35,869)	(10.5)%	(27,330)	(8.2)%
PROFIT (LOSS) BEFORE TAXES		**(5,158)**	**(1.5)%**	**8,591**	**2.6%**
Income tax expense	13	145	0.0%	(3,649)	(1.1)%
NET PROFIT (LOSS) FOR THE PERIOD		**(5,013)**	**(1.5)%**	**4,943**	**1.5%**
Profit (loss) attributable to:					
- Owners of the parent		(5,120)	(1.5)%	4,968	1.5%
- Non-controlling interests		107	0.0%	(26)	(0.0)%

(euro/000)	09/30/2017	09/30/2016
NET PROFIT (LOSS) FOR THE PERIOD	**(5,013)**	**4,943**
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**-**	**-**
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(6,579)	(7,093)
Change in exchange rate difference on quasi equity loan	(9,657)	-
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**(16,235)**	**(7,093)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**(21,248)**	**(2,151)**
Profit (loss) attributable to:		
- owners of the parent	(21,020)	(2,176)
- non-controlling interests	(229)	25

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Other reserves								
(euro/000)	**Share capital**	**Additional paid-in capital**	**Legal Reserve**	**S.holders deposit in s/capital**	**Translation reserve**	**Other**	**Actuarial gain / (loss) reserve**	**Retained earnings/ (losses)**	**Profit (loss) for the period**	**Capital and reserves net total**	**Non-controlling interests in equity**	**Total equity**
December 31, 2015	**32,312**	**151,994**	**4,077**	**46,108**	**12,799**	**123**	**(12)**	**(16,903)**	**(2,543)**	**227,954**	**1,969**	**229,924**
Allocation of 2015 loss	-	-	-	-	-	-	-	(2,543)	2,543	-	-	**-**
Change in consolidation perimeter	-	-	-	-			-	-	-	-	(151)	**(151)**
Other movements	-	-	-	-	-	712	-	-	-	*712*	-	**712**
- Period result	-	-	-	-	-	-	-	-	*12,167*	*12,167*	*7*	***12,174***
- Other components of comprehensive income	-	-	-	-	*(3,841)*	-	*(17)*	-	-	*(3,858)*	*226*	***(3,632)***
Total comprehensive income	-	-	-	-	(3,841)	-	(17)	-	12,167	8,309	233	**8,542**
December 31, 2016	**32,312**	**151,994**	**4,077**	**46,108**	**8,958**	**834**	**(29)**	**(19,447)**	**12,167**	**236,975**	**2,052**	**239,027**
Allocation of 2016 profit	-	-	186	-	-	-	-	11,982	(12,167)	-	-	**-**
Dividends distribution	-	-	-	-	-	-	-	(25,900)	-	*(25,900)*	(50)	**(25,950)**
Change in consolidation perimeter	-	-	-	-	-	-	-	(1,422)	-	*(1,422)*	1,030	**(392)**
Other movements	-	-	-	-	(2,839)	-	-	2,839	-	-	-	**-**
- Period result	-	-	-	-	-	-	-	-	*(5,120)*	*(5,120)*	*107*	***(5,013)***
- Other components of comprehensive income	-	-	-	-	*(6,243)*	*(9,657)*	-	-	-	*(15,900)*	*(336)*	***(16,235)***
Total comprehensive income	-	-	-	-	(6,243)	(9,657)	-	-	(5,120)	(21,020)	(229)	**(21,248)**
September 30, 2017	**32,312**	**151,994**	**4,263**	**46,108**	**(125)**	**(8,822)**	**(29)**	**(31,948)**	**(5,120)**	**188,633**	**2,803**	**191,437**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	09/30/2017	12/31/2016
OPERATING ACTIVITIES		
Profit (loss) for the period	*(5,013)*	*12,174*
Depreciation and amortization	11,375	13,146
Provisions	5,089	(7,557)
Income tax expense	205	3,211
Accrued interest expense	27,474	16,090
Adjustments to other non-cash items	(53)	(443)
Cash generated by operations	*39,077*	*36,621*
Cash generated by change in operating working capital	(24,907)	10,586
Other elements in working capital	(13,762)	1,301
Income taxes paid	(2,273)	(1,138)
Interest received	518	686
Interest paid	(22,828)	(19,546)
Total cash generated by change in other items of net working capital	*(38,346)*	*(18,697)*
Net cash from /(used in) net working capital	*(63,253)*	*(8,111)*
Net cash from /(used in) operating activities	**(24,176)**	**28,509**
INVESTING ACTIVITIES		
Net (Purchase)/disposal of property, plant and equipment	(3,763)	(3,034)
Net (Investments)/disposal in intangible assets	(4,596)	(19,656)
Net (Investments)/disposal in investment in subsidiaries and associates	(4,812)	-
Net cash inflow on investments	-	948
Net cash from /(used in) investing activities	**(13,171)**	**(21,742)**
FINANCING ACTIVITIES		
Financial Assets		
- (Proceeds)	(11,457)	-
- Repayments	-	984
Financial Loans from banks		
- Proceeds	10,500	5,500
- (Repayments)	(6,170)	(5,611)
Other current and non current financial liabilities	57,686	(5,646)
Capital increase	512	-
Dividends paid to minorities	(50)	(149)
Dividends paid to shareholders	(24,793)	-
Net cash from /(used in) financing activities	**26,227**	**(4,922)**
Net increase/(decrease) in cash and cash equivalents	**(11,121)**	**1,845**
Effect of foreign exchange rate changes	(1,960)	2
Cash and cash equivalents at beginning of year	**42,230**	**40,382**
Cash and cash equivalents at end of year	**29,149**	**42,229**

NOTES TO THE INTERIM CONDENSED 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 net 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 sales of euro 442 million and some 1,713 employees, plus a widespread, well-structured network of independent agents.

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Today Marcolin has a strong portfolio of 28 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. This process has included on May 24, 2017 the early renewal of an exclusive license agreement for the design, manufacture and worldwide distribution of Diesel sun and optical eyewear. The agreement extends the current partnership duration till 2023.

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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 a JV agreement with LVMH Group

On February 2017 Marcolin Group and LVMH Group signed a joint venture agreement to set up a new company, 51% owned by LVMH and 49% by Marcolin, for the design, 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.

On July 2017 the European Union anti-trust authorities approved the joint venture agreement. As part of the closing activities the entity changed name, replaced its registered office from Milan to Longarone (BL) and received on October 2017, by way of a capital contribution, an additional investment from shareholders of some euro 12.7 million, of which euro 6.2 million from Marcolin S.p.A..

Pursuant to the joint venture project on October 2017 the following operations occurred:

- Marcolin S.p.A. received from LVMH, in exchange for 6.828.708 new shares, euro 21.9 million (of which euro 18.3 million of share premium), representing 10% of the fully-diluted capital stock. After the capital increase, former shareholders and LVMH respectively own 90% and 10% of the total share capital of Marcolin S.p.A.;
- Giovanni Zoppas resigned from the role of CEO of Marcolin S.p.A. to join the same role in the new joint venture, maintaining some executive role in Marcolin S.p.A. as Executive Vice Chairman. The role of CEO of Marcolin S.p.A. has been assigned to Massimo Renon, former worldwide commercial general manager of Marcolin Group. The goal of these changes is to ensure the best possible results with the alignment of interest of the different stakeholders.

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..

Signing of JV agreement with Rivoli Group

On March 23, 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 FZCO, is 51% owned by Marcolin S.p.A. (share purchase executed on June 6, 2017) and its headquarter is based in Dubai in UAE. It distributes the eyewear collections of the Marcolin's brand 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.

Additional strategic objectives

For Marcolin, after years of repositioning, reorganization and especially development activities, 2017 is a year of consolidation and additional growth, thanks to the unfolding of the positive effects of initiatives implemented successfully in previous years and to the more recent strategic projects.

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

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

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

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

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Basis of operation

These interim condensed consolidated financial statements for nine months ended September 30, 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 interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2016.
The interim condensed consolidated financial statements include the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of change in equity, the condensed consolidated statement of cash flows, and the notes thereto.

Accounting policies

The accounting policies adopted for the preparation of the interim condensed consolidation financial statements for the nine months ended September 30, 2017 are consistent with those used to prepare the annual consolidated 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 September 30, 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.

Description	**Effective date of the standard**
IFRS 17 (Insurance contracts)	*January 1, 2021*
IFRS 16 (Leases)	*January 1, 2019*
IFRIC 23 Uncertainly over Income Tax Treatments	*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*
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*
Amendments to IFRS 9: Prepayment Features with Negative Compensation	*January 1, 2019*
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	*January 1, 2019*

Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgments made applying the Group’s accounting policies and the key sources of estimation uncertainly were the same as those that applied to the annual consolidated financial statements of the Company as of and for the year ended December 31, 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 interim condensed consolidated financial statements for the nine months ended September 30, 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.

The companies list is set forth below.

Company	Headquarters	Currency	Share capital	Consolidation method	% ownership	
					Direct	Indirect
Marcolin Asia HK Ltd	Hong Kong	HKD	1,539,785	Full		100.00%
Marcolin Benelux Sprl	Villers-Le-Bouillet, Benelux	EUR	280,000	Full	100.00%	
Marcolin do Brasil Ltda	Barueri - SP, Brasil	BRL	9,575,240	Full	100.00%	
Marcolin Deutschland Gmbh	Köln, Germany	EUR	4,650,000	Full	100.00%	
Marcolin France Sas	Paris, France	EUR	1,054,452	Full	76.89%	23.11%
Marcolin GmbH	Muttenz, Switzerland	CHF	200,000	Full	100.00%	
Marcolin Iberica SA	Barcelona, Spain	EUR	487,481	Full	100.00%	
Marcolin International BV	Amsterdam, The Netherlands	EUR	18,151	Full	100.00%	
Marcolin Nordic AB	Stockholm, Sweden	SEK	50,000	Full	100.00%	
Marcolin Portugal Lda	Lisboa, Portugal	EUR	420,000	Full	100.00%	
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	89.90%	10.10%
Viva Eyewear Hong Kong Ltd	Hong Kong	HKD	100	Full		100.00%
Viva Eyewear UK Ltd	North Yorkshire, UK	GBP	-	Full		100.00%
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 Intenational Co Ltd	Hong Kong	HKD	25,433,653	Full	50.00%	
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	CNY	22,045,100	Full		50.00%
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	AED	100,000	Full	51.00%	
Viva Optique de Mexico SA de CV	Edo, Mexico	MXN	3,694,685	Equity		50.00%
Vicuna 2 S.p.A	Milano, Italy	EUR	58,800	Cost	49.00%	
Sofpar 122 SA - France	Paris, France	EUR	40,000	Cost		49.00%

On April 2017, a capital increase was executed by Marcolin S.p.A. and Ginko on Gin Hong Lin International Co. Ltd for a total amount of euro 1.0 million as agreed in the joint venture agreement. Subsequently Gin Hong Lin International Co. Ltd executed a capital increase for the same amount on the subsidiary Shanghai Ginlin Optics Ltd.

On May 2017, Marcolin S.p.A. purchased the residual 30% shares of Marcolin Nordic AB, increasing its direct ownership in the entity to 100%.

On June 2017, Marcolin S.p.A. purchased 51% shares of Marcolin Middle East FZCO from Rivoli Group as part of the joint venture agreement signed with Rivoli Group on March 2017.

On August 2017, Marcolin S.p.A. purchased 49% shares of Vicuna 2 S.p.A. from LVMH Group as part of the JV agreement signed with LVMH Group on January 2017. Vicuna 2 S.p.A. established during the year a French subsidiary named Sofpar 122 SA. Refer to paragraph *Signing of JV agreement with LVMH* on *Introduction* section for more information.

On September 2017 shareholders approved a cross border legal merger for which by year end Marcolin International BV will be merged with and into the parent company Marcolin S.p.A.. The main objective of the merger is a substantial simplification of the management and administration structure.

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. together with the parent company 3Cime S.p.A. has renewed the consolidated 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 September 30, 2017 and January-to-September 2017, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		09/30/2017	12/31/2016	Change	09/30/2017	09/30/2016	Change
Dirham Emirati Arabi	AED	4.336	3.870	12.0%	4.090	4.095	(0.1)%
Australian Dollar	AUD	1.508	1.460	3.3%	1.454	1.529	(4.9)%
Brasilian Real	BRL	3.764	3.431	9.7%	3.535	4.304	(17.9)%
Canadian Dollar	CAD	1.469	1.419	3.5%	1.455	1.515	(4.0)%
Swiss Franc	CHF	1.146	1.074	6.7%	1.095	1.096	(0.1)%
Renminbi	CNY	7.853	7.320	7.3%	7.577	7.210	5.1%
Danish Krone	DKK	7.442	7.434	0.1%	7.437	7.461	(0.3)%
English Pound	GBP	0.882	0.856	3.0%	0.873	0.770	13.3%
Hong Kong Dollar	HKD	9.221	8.175	12.8%	8.677	8.568	1.3%
Mexican Pesos	MXN	21.461	21.772	(1.4)%	21.008	19.898	5.6%
Norwegian Krone	NOK	9.413	9.086	3.6%	9.236	9.527	(3.1)%
Russian Rublo	RUB	68.252	64.300	6.1%	64.999	82.451	(21.2)%
Swedish Krona	SEK	9.649	9.553	1.0%	9.583	9.327	2.8%
US Dollar	USD	1.181	1.054	12.0%	1.114	1.102	1.1%

ANALYSIS OF INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets *(euro/000)*	**09/30/2017**	**12/31/2016**	**Increase/decrease**	
			euro	**%**
Property, plant and equipment	25,447	25,513	(67)	(0.3)%
Intangible assets	44,046	49,824	(5,778)	(11.6)%
Goodwill	283,750	290,902	(7,152)	(2.5)%
Investments in subsidiaries and associates	1,015	907	108	11.9%
Deferred tax assets	41,532	35,950	5,582	15.5%
Other non-current assets	398	465	(68)	(14.5)%
Non-current financial assets	3,132	3,797	(665)	(17.5)%
Total non-current assets	**399,319**	**407,360**	**(8,041)**	**(2.0)%**

The net value of non-current assets decreased by euro 8.041 million from December 31, 2016.
Intangible assets decrease mainly refers to amortization effect which is higher than the new capitalizations. Goodwill decrease by euro 7.152 million is due to translation effect, partially offset by the increase referred to the investment on Marcolin Middle East FZCO.
Deferred tax assets increase of euro 5.582 million due to temporary non deductible expenses considered in the interim current tax calculation.

2. Current assets

The composition of current assets is shown below:

Current assets *(euro/000)*	**09/30/2017**	**12/31/2016**	**Increase/decrease**	
			euro	**%**
Inventories	137,462	126,914	10,548	8.3%
Trade receivables	70,080	72,643	(2,564)	(3.5)%
Other current assets	16,939	13,067	3,873	29.6%
Current financial assets	12,822	699	12,123	1733.2%
Cash and bank balances	29,149	42,230	(13,080)	(31.0)%
Total current assets	**266,452**	**255,553**	**10,900**	**4.3%**

The total value of current assets increase by euro 10.900 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 10.548 million compared to the previous year. Overall inventories are in line compared to previous year, the increase in mainly attributable to the new stock acquisition to set up the new joint venture in Middle East and the buildup of stock to manage the 4Q 2017 expected sales.
Inventory is shown net of provision for inventory impairment.

Net trade receivables are in line with previous period. DSO index continues to improve compared to previous period (2 days compared to September 30, 2017). Trade receivables are shown net of the provision for doubtful debts and returns.

Other current assets increased by euro 3.873 million compared to the previous year mainly due to prepaid expenses for future projects.

Current financial assets increase mainly refers to prepayments made on behalf of the new joint venture with LVMH.

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 fiscal year 2017, till September 30, 2017. Refer to paragraph *Signing of JV agreement with LVMH* on *Introduction* section for more information related to the share capital increase occurred during October 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 125 thousands refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves on equity for a total amount of some euro -40.922 million, mainly include for some euro -8.822 million 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 differences are recognized on a reserve in equity and in Other Comprehensive Income Statement. Other components refer to Retained Earnings reserve and actuarial gains and losses reserve. The actuarial gains and losses 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 Condensed Consolidated Statement of Changes in Equity provides more detailed information.

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities *(euro/000)*	**09/30/2017**	**12/31/2016**	**Increase/decrease**	
			euro	**%**
Non-current financial liabilities	254,737	199,866	54,871	27.5%
Non-current funds	7,941	7,487	455	6.1%
Deferred tax liabilities	7,148	7,602	(454)	(6.0)%
Other non-current liabilities	77	86	(8)	(9.5)%
Total non-current liabilities	**269,904**	**215,040**	**54,864**	**25.5%**

Non-current liabilities increase by euro 54.864 million, mainly related to non-current financial liabilities which increases of euro 54.871 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 month3 (floor 0%) +4.125%	Bond issued the 10th February 2017 - Quarterly interests in 15th of May, 15th of August, 15th of November, 15th of Febraury
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	1,562,500	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	513,118	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	500,000	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	1,074,422	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	167,647	09/11/2016	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	6,000,000	5,511,580	26/04/2020	Euribor 3 months + spread	Loan granted on April 26, 2017, repayable in 12 quarterly installments from July 26, 2017
Banco Popolare s.c.r.l.	euro	3,000,000	1,800,000	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	1,066,982	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	**09/30/2017**	**12/31/2016**	**Increase/decrease**	
(euro/000)			**euro**	**%**
Trade payables	111,603	128,526	(16,923)	(13.2)%
Current financial liabilities	58,991	51,697	7,294	14.1%
Current provisions	420	352	68	19.3%
Tax liabilities and others	33,416	28,271	5,145	18.2%
Total current liabilities	**204,430**	**208,846**	**(4,416)**	**(2.1)%**

Current liabilities as at September 30, 2017 show a decrease of euro 4.416 million compared to December 31, 2016. In particular, the following may be observed:

- Trade payables as at September 30, 2017 amounted to euro 111.603 million almost in line compared to the September 30, 2016. The decrease compared to December 31, 2016 is mainly a timing effect;
- current financial liabilities primarily relate to bank overdraft and short term financing, including bank credit facilities in the form of bill discounting facility undertaken in the ordinary course of business. The amount also includes the New Revolving Credit Facility for some euro 40 million, drawn for euro 30 million as of September 30, 2017. The increase compared to December 31, 2016 mainly refers to higher proceeds from short term financing from banks;
- 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 position

The net financial debt as at September 30, 2017 is set forth below in comparison with December 31, 2016:

Net financial debt *(euro/000)*	**09/30/2017**	**12/31/2016**	**Increase/decrease**	
			euro	**%**
Cash and cash equivalents	29,149	42,230	(13,080)	(31.0)%
Current and non-current financial assets	15,954	4,497	11,457	254.8%
Current financial liabilities	(58,991)	(51,697)	(7,294)	14.1%
Non-current financial liabilities	(254,737)	(199,866)	(54,871)	27.5%
Total net financial debt	**(268,625)**	**(204,837)**	**(63,788)**	**23.7%**

The net financial debt is euro 268.625 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 September 30, 2017.

Other components of the financial liabilities are some minor financial loans, granted to support the Group growth, of which euro 19.2 million classified as current and euro 6.0 million classified as non-current, bank credit in the form of a bill discounting facility (around euro 8.0 million) used in the ordinary course of business and Financial Lease for some euro 5.1 million.

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ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at September 30, 2017 is summarized below against the results as at September 30, 2016.

The 2017 net sales to date are euro 341.520 million, compared to euro 335.142 million for the first nine months of 2016.

The September 2017 Reported Ebitda is euro 35.230 million, compared to 33.031 million for the nine months of 2016.
Reported Ebit is euro 22.315 million, compared to euro 23.092 million for the nine months of 2016.

Consolidated income statement	**09/30/2017**		**09/30/2016**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	341,520	100.0%	335,142	100.0%
Gross profit	201,801	59.1%	193,159	57.6%
Ebitda	35,230	10.3%	33,031	9.9%
Operating income - Ebit	22,315	6.5%	23,092	6.9%
Financial income and costs	(27,474)	(8.0)%	(14,501)	(4.3)%
Profit before taxes	(5,158)	(1.5)%	8,591	2.6%
Net profit (loss) for the period	(5,013)	(1.5)%	4,943	1.5%

Economic indicator - adjusted	**09/30/2017**		**09/30/2016**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	36,216	10.6%	35,029	10.5%
Operating income - Ebit	23,301	6.8%	25,090	7.5%

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 extraordinary transactions, the September 2017 Adjusted Ebitda is euro 36.216 million (10.6% of net sales), against the September 2016 Adjusted Ebitda of euro 35.029 million (10.5% of net sales).

7. Net Revenues

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

Net Revenues by geographical area	**09/30/2017**		**09/30/2016**		**Increase**	
(euro/000)	**Net Revenues**	**% on total**	**Net Revenues**	**% on total**	**euro**	**%**
Italy	*24,124*	*7.1%*	*21,131*	*6.3%*	*2,993*	*14.2%*
Rest of Europe	*112,047*	*32.8%*	*106,930*	*31.9%*	*5,117*	*4.8%*
Europe	136,171	39.9%	128,061	38.2%	8,110	6.3%
Americas	144,351	42.3%	143,145	42.7%	1,206	0.8%
Asia	20,294	5.9%	26,583	7.9%	(6,289)	(23.7)%
Rest of World	40,703	11.9%	37,353	11.1%	3,350	9.0%
Total	**341,520**	**100.0%**	**335,142**	**100.0%**	**6,378**	**1.9%**

In the first nine months of 2017 net sales were euro 341.520 million, an increase of euro 6.378 million (1.9%) in comparison to the same period of 2016.

Italy

Revenues in the domestic market rose significantly by +14.2% in 2017 compared to the same period of 2016. Both diffusion brands and luxury brands show a double-digit growth, led by Tom Ford and Moncler for luxury brands, Guess and Swarovski for diffusion brands. Housebrand Web keeps growing.

Rest of Europe

Revenues from the Rest of Europe market (euro 112.047 million) grew by +4.8% compared to the same period of 2016. Good performance both for luxury and diffusion brands led by Moncler, Diesel, Swarovski and the housebrand Web.
In this area, continues the positive performance of the new fully operative JV in Russia. Good performances also in Nordic area, Spain and UK.

Americas

In the U.S.A. area, despite local market pressure, net sales show an increase compared to the same period of 2016 (+0.8%) led by Tom Ford, Guess and Swarovski.

Asia

The Asian Far East market shows a decrease in revenues (-23.7%), mainly due to the slowdown in South Korea as a consequence of social and political environment.

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 2017 net sales amounts to euro 40.7 million and show a strong growth compared with the same period of the previous year.
In this area net sales are led by luxury brands which show a double-digit growth (mainly Tom Ford, Ermenegildo Zegna and Moncler). Also diffusion brands had a mid single-digit growth (mainly led by Guess).

8. Cost of sales

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

Cost of sales *(euro/000)*	09/30/2017	% on net revenues	09/30/2016	% on net revenues	Increase/decrease euro	%
Product cost	121,322	35.5%	127,617	38.1%	(6,295)	(4.9)%
Cost of personnel	7,173	2.1%	7,755	2.3%	(582)	(7.5)%
Amortization, depreciation and writedowns	2,448	0.7%	2,308	0.7%	139	6.0%
Other production cost	8,776	2.6%	4,303	1.3%	4,473	104.0%
Total	**139,719**	**40.9%**	**141,984**	**42.4%**	**(2,264)**	**(1.6)%**

The cost of sales amounted to euro 139.719 million for the nine months ended September 30, 2017, a decrease of euro 2.264 thousand, or 1.6%, from euro 141.984 million for the nine months ended September 30, 2016.
The cost of sales as a percentage of net revenues is 40.9% for the nine months ended September 30, 2017 compared to 42.4% for the nine months ended September 30, 2016.

The September 2017 Gross profit is euro 8.642 million higher than previous year, growing from 193.159 million (or 57.6%) up to euro 201.801 million (or 59.1%) 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 *(euro/000)*	09/30/2017	% on net revenues	09/30/2016	% on net revenues	Increase/decrease euro	%
Cost of personnel	37,272	10.9%	35,721	10.7%	1,551	4.3%
Commissions	23,085	6.8%	19,555	5.8%	3,531	18.1%
Amortization	5,981	1.8%	5,168	1.5%	812	15.7%
Royalties	42,591	12.5%	41,617	12.4%	975	2.3%
Advertising and PR	26,015	7.6%	24,211	7.2%	1,804	7.5%
Other costs	20,493	6.0%	22,156	6.6%	(1,663)	(7.5)%
Total	**155,438**	**45.5%**	**148,429**	**44.3%**	**7,010**	**4.7%**

The distribution and marketing expenses amounted to euro 155.438 million for the nine months ended September 30, 2017, an increase of euro 7.010 million or 4.7% from euro 148.429 million for the nine months ended September 30, 2016.

Commissions expenses amounted to euro 23.085 million in 2017, an increase of euro 3.531 million from the euro 19.555 million for the nine months ended September 30, 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 42.591 million, an increase of 2.3%, from the euro 41.617 million for the nine months ended September 30, 2016. In 2017 Royalties as a percentage of net revenues is 12.5%, compared to 12.4% of 2016.

Advertising and PR expenses in 2017 amounted to euro 26.015 million, an increase of euro 1.804 million, or 7.5%, from the euro 24.211 million in the same period of 2016. As a percentage of net revenues, Advertising and PR expenses in 2017 is 7.6%, compared to 7.2% of 2016.

The “other costs” refer principally to freight expenses, business travel, rent and services. In 2017, other costs amounted to euro 20.493 million, a decrease of euro 1.663 million or 7.5%, from the euro 22.156 million for the nine months ended September 30, 2016, due to positive effect coming from US freight service provider renegotiation. As a percentage of net revenues they are 6.0%, compared to 6.6% for the six months ended September 30, 2016.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses		**% on net**		**% on net**	**Increase/decrease**	
(euro/000)	**09/30/2017**	**revenues**	**09/30/2016**	**revenues**	**euro**	**%**
Cost of personnel	8,859	2.6%	9,838	2.9%	(979)	(9.9)%
Writedowns of receivables	1,539	0.5%	441	0.1%	1,099	249.4%
Amortization and writedowns	2,947	0.9%	2,021	0.6%	926	45.8%
Other costs	11,018	3.2%	10,630	3.2%	388	3.6%
Total	**24,364**	**7.1%**	**22,929**	**6.8%**	**1,434**	**6.3%**

General and administrative expenses amounted to euro 24.364 million for the nine months ended September 30, 2017, with an increase of euro 1.434 million (or 6.3%), from the euro 22.929 million for the same period of 2016. As a percentage of net revenues, in 2017 general and administrative expenses is 7.1%, 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 periods is not significant.

12. Financial income and costs

Financial costs amounted to euro 35.869 million for the nine months ended September 30, 2017 compared to financial costs of euro 27.330 million for the nine months ended September 30, 2016. The significant increase compared to previous period is directly correlated to the extraordinary refinancing operation occurred on February 2017 for some euro 13.1 million. Excluding these extraordinary financial expenses, the total financial costs show a decrease of some euro 4.6 million mainly due to the reduction of new issued bond interest rate.

Financial income amounted to euro 8.396 million for the nine months ended September 30, 2017, compared to euro 12.828 million for nine months ended September 30, 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 +0.145 million for the nine months ended September 30, 2017, compared to the euro -3.649 million for nine months ended September 30, 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

Refer to paragraph *Signing of a JV agreement with LVMH* on *Introduction* section for more information regarding activities concluded after September 30, 2017 related to the new joint venture agreement with LVMH.
There were no other significant subsequent events and/or transactions.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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

Significant non-recurring events and transactions

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

Atypical and unusual transactions

In the first nine 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 September 30, 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 3Cime S.p.A.

Related Parties *(euro/000)*	**Expenses**	**Revenues**	**Payables**	**Receivables**	**Type**
Tod's S.p.A.	2,420	445	750	84	Related party
Pai Partners Sas	45	-	76	-	Related party
Coffen Marcolin Family	551	0	270	-	Related party
O.T.B. Group	1,412	41	-	228	Related party
3 Cime S.p.A.	-	-	-	103	Consolidating
Total	**4,429**	**485**	**1,096**	**416**	

The same table is set forth as at September 30, 2016:

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 26, 2017

For the Board of Directors

C.E.O.
Massimo Renon

MARCOLIN
EYEWEAR