MARCOLIN
EYEWEAR

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors[1]

Vittorio Levi	Chairman
Massimo Renon	C.E.O. and General Manager
Giovanni Zoppas	Executive Vice Chairman
Antonio Abete	Director
Nicolas Brugère	Director
Jacopo Forloni [2]	Director
Cirillo Coffen Marcolin	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Franck Raymond Temam	Director
Raffaele Roberto Vitale	Director

Board of Statutory Auditors[1]

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

Internal Audit Committee[3]

Vittorio Levi	Chairman
Jacopo Forloni [2]	Internal Auditor
Cirillo Coffen Marcolin	Internal Auditor

Supervisory Body[3]

Federico Ormesani	Chairman
David Reali	Supervisor
Cirillo Coffen Marcolin	Supervisor

Independent Auditors[4]

PricewaterhouseCoopers S.p.A.

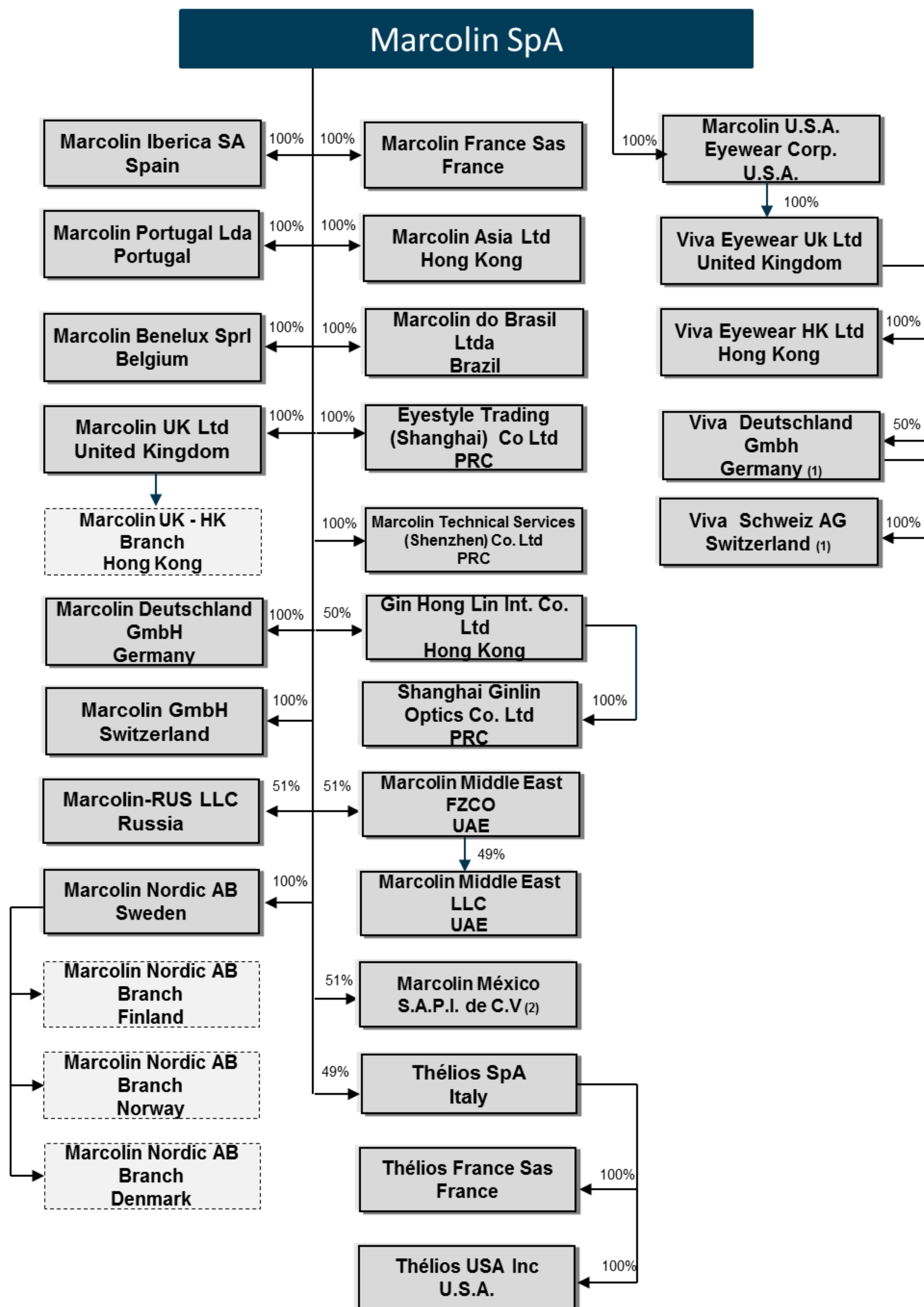
1) Term of office ends on the date of the Shareholders' Meeting called to approve the annual financial statements for the year ended December 31, 2018 (under Shareholders' Resolution of April 28, 2016).

2) Shareholders' Resolution appointment of April 26, 2018.

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

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

MARCOLIN GROUP STRUCTURE



1) Companies put into liquidation on December 31, 2017;
2) Marcolin México S.A.P.I. de C.V has been established on April 19, 2018. Marcolin SpA owns 51% while Moendi, one of the largest independent distributor in Mexico, owns 49%.

INTERIM CONDENSED
CONSOLIDATED FINANACIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euro/000)	**Notes**	**09/30/2018**	**12/31/2017**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	26,817	29,071
Intangible assets	1	46,477	49,610
Goodwill	1	285,520	282,326
Investments in subsidiaries and associates	1	2,953	610
Deferred tax assets	1	32,998	34,895
Other non-current assets	1	2,689	2,596
Non-current financial assets	1; 6	2,506	3,171
Total non-current assets		**399,960**	**402,278**
CURRENT ASSETS			
Inventories	2	139,544	122,582
Trade receivables	2	74,273	82,091
Other current assets	2	26,798	14,680
Current financial assets	2; 6	22,674	13,332
Cash and cash equivalents	2; 6	21,356	40,805
Total current assets		**284,645**	**273,491**
TOTAL ASSETS		**684,605**	**675,769**
EQUITY			
Share capital	3	35,902	35,902
Additional paid-in capital	3	170,304	170,304
Legal reserve	3	4,263	4,263
Other reserves	3	39,230	35,639
Retained earnings (losses)	3	(47,458)	(31,944)
Profit (loss) for the period	3	(4,139)	(15,514)
Group equity		**198,102**	**198,650**
Non controlling interests	3	4,535	3,658
TOTAL EQUITY		**202,637**	**202,305**
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	252,851	255,355
Non-current funds	4	7,706	7,336
Deferred tax liabilities	4	1,947	5,546
Other non-current liabilities	4	3,291	4,689
Total non-current liabilities		**265,795**	**272,927**
CURRENT LIABILITIES			
Trade payables	5	126,160	126,800
Current financial liabilities	5; 6	50,908	39,369
Current funds	5	418	418
Tax liabilities	5	8,975	6,447
Other current liabilities	5	29,711	27,503
Total current liabilities		**216,172**	**200,537**
TOTAL LIABILITIES		**481,967**	**473,464**
TOTAL LIABILITIES AND EQUITY		**684,605**	**675,769**

CONDENSED CONSOLIDATED INCOME STATEMENT AND CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euro/000)	**Notes**	**09/30/2018**	**%**	**09/30/2017**	**%**
NET REVENUES	7	**345,154**	**100.0%**	**341,520**	**100.0%**
Cost of sales	8	(145,566)	(42.2)%	(139,719)	(40.9)%
GROSS PROFIT		**199,587**	**57.8%**	**201,801**	**59.1%**
Distribution and marketing expenses	9	(162,638)	(47.1)%	(155,438)	(45.5)%
General and administrative expenses	10	(26,858)	(7.8)%	(24,364)	(7.1)%
Other operating income/(expenses)	11	11,011	3.2%	280	0.1%
OPERATING INCOME - EBIT		**21,103**	**6.1%**	**22,279**	**6.5%**
Profit/(loss) from associates	12	(7,417)	(2.1)%	37	0.0%
Financial income	13	6,929	2.0%	8,396	2.5%
Financial costs	13	(22,389)	(6.5)%	(35,869)	(10.5)%
PROFIT (LOSS) BEFORE TAXES		**(1,773)**	**(0.5)%**	**(5,158)**	**(1.5)%**
Income tax expense	14	(1,343)	(0.4)%	145	0.0%
NET PROFIT (LOSS) FOR THE PERIOD		**(3,116)**	**(0.9)%**	**(5,013)**	**(1.5)%**
Profit (loss) attributable to:					
- Owners of the parent		(4,139)	(1.2)%	(5,120)	(1.5)%
- Non-controlling interests		1,023	0.3%	107	0.0%

(euro/000)	**09/30/2018**	**09/30/2017**
NET PROFIT (LOSS) FOR THE PERIOD	**(3,116)**	**(5,013)**
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	738	(6,579)
Change in exchange rate difference on quasi equity loan	2,853	(9,657)
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	**3,591**	**(16,235)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	**475**	**(21,248)**
Profit (loss) attributable to:		
- owners of the parent	(544)	(21,020)
- non-controlling interests	1,019	(229)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(euro/000)	Share capital	Additional paid-in capital	Legal Reserve	Other reserves					Profit (loss) for the period	Capital and reserves net total	Non-controlling interests in equity	Total equity
				S.holders deposit in s/capital	Translation reserve	Other	Actuarial gain / (loss) reserve	Retained earnings/ (losses)				
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)
Share capital increase	3,590	18,310	-	-	-	-	-	-	-	21,900	512	22,412
Purchases from third parties of subsidiaries shares	-	-	-	-	-	-	-	(1,418)	-	(1,418)	518	(900)
Other movements	-	-	-	-	(2,839)	-	-	2,839	-	-	-	-
- Period result	-	-	-	-	-	-	-	-	*(15,514)*	*(15,514)*	*1,046*	*(14,468)*
- Other components of comprehensive income	-	-	-	-	*(6,488)*	*(10,912)*	*7*	-	-	*(17,393)*	*(420)*	*(17,813)*
Total comprehensive income	-	-	-	-	(6,488)	(10,912)	7	-	(15,514)	(32,906)	626	(32,280)
December 31, 2017	**35,902**	**170,304**	**4,263**	**46,108**	**(370)**	**(10,078)**	**(22)**	**(31,944)**	**(15,514)**	**198,650**	**3,658**	**202,305**
Allocation of 2017 loss	-	-	-	-	-	-	-	(15,514)	15,514	-	-	-
Dividends distribution	-	-	-	-	-	-	-	-	-	-	(143)	(143)
Share capital increase	-	-	-	-	-	-	-	-	-	-	3	3
- Period result	-	-	-	-	-	-	-	-	*(4,139)*	*(4,139)*	*1,023*	*(3,116)*
- Other components of comprehensive income	-	-	-	-	*738*	*2,853*	-	-	-	*3,591*	*(4)*	*3,587*
Total comprehensive income	-	-	-	-	738	2,853	-	-	(4,139)	(548)	1,019	471
September 30, 2018	**35,902**	**170,304**	**4,263**	**46,108**	**368**	**(7,225)**	**(22)**	**(47,458)**	**(4,139)**	**198,102**	**4,535**	**202,637**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(euro/000)	**09/30/2018**	**12/31/2017**
OPERATING ACTIVITIES		
Profit (loss) for the period	(3,116)	(14,468)
Depreciation and amortization	13,799	15,806
Provisions	9,283	4,524
Impairment losses/(reversal) on investments	7,417	6,570
Income tax expense	1,343	8,094
Accrued interest expense	15,459	33,830
Adjustments to other non-cash items	(16)	(630)
Cash generated by operations	*44,169*	*53,727*
Cash generated by change in operating working capital	*(18,401)*	*(18,433)*
Other elements in working capital	*(8,643)*	*(5,718)*
Income taxes paid	(2,086)	(4,342)
Interest received	815	687
Interest paid	(9,995)	(26,089)
Total cash generated by change in other items of net working capital	*(19,909)*	*(35,463)*
Net cash from /(used in) net working capital	*(38,310)*	*(53,896)*
Net cash from /(used in) operating activities	**5,859**	**(169)**
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(2,711)	(10,228)
Disposal of property, plant and equipment	16	241
(Investments) in intangible assets	(7,680)	(6,224)
Disposal in intangible assets	-	327
(Purchase) minority shareholders share	-	(900)
Net (Investments)/disposal in investment in subsidiaries and associates	(9,800)	(3,808)
Cash out on business combinations net of liquidity acquired (Thélios S.p.A.)	-	(5,698)
Net cash from /(used in) investing activities	**(20,176)**	**(26,291)**
FINANCING ACTIVITIES		
Financial Assets		
- (Proceeds)	(8,677)	(12,006)
- Repayments	-	-
Financial Loans from banks		
- Proceeds	-	13,500
- (Repayments)	(6,688)	(9,220)
Other current and non current financial liabilities	*10,069*	*36,556*
Capital increase	-	22,412
Dividends paid	-	(24,843)
Net cash from /(used in) financing activities	**(5,296)**	**26,399**
Net increase/(decrease) in cash and cash equivalents	**(19,612)**	**(61)**
Effect of foreign exchange rate changes	163	(1,364)
Cash and cash equivalents at beginning of year	**40,805**	**42,230**
Cash and cash equivalents as at September, 30 2018	**21,356**	**40,805**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Marcolin, a long-established company based in Longarone (Belluno) in the Italian eyewear district, is a designer, manufacturer and distributor of eyewear products. As a renowned leader in the global eyewear business, Marcolin stands out for its premium quality products, design skills, production capabilities, attention to detail and first-rate distribution.

In 2017 the Marcolin Group sold an estimated 13.6 million pairs of eyeglasses and sunglasses worldwide, with sales exceeding euro 469.1 million.

In 2017 the Group set up an important joint venture with the LVMH Group. The joint venture, fully operating in 2018, designs, manufactures and distributes LVMH Group branded eyewear and potentially will handle other brands of the French group as well.
In 2017 Marcolin also stipulated a joint venture agreement with the Rivoli Group, which enabled to strengthen the Group in the Middle Eastern market, given that the Rivoli Group is one of the leading luxury retailers in that area.

Thanks to the recent joint ventures and to the 2013 acquisition of the Viva Group, the Marcolin Group has become a highly global eyewear business in terms of its brand portfolio, products, geographic presence and markets.

In 2017 Marcolin Group reported total net sales of euro 469.1 million and some 1,849 employees, plus a widespread, well-structured network of independent agents.

Today Marcolin has a strong portfolio of licensed brands, with a good balance between the luxury and mainstream ("diffusion") segments, men's and women's products, and eyeglass frames and sunglasses.
The luxury segment includes some of the most glamorous fashion brands such as Tom Ford, Tod’s, Balenciaga, Roberto Cavalli, Montblanc, Ermenegildo Zegna, Pucci, Moncler, Omega (regarding Omega brand, the Group has stipulated an exclusive supply contract for the Omega boutiques) and the recent new brand Bally; the diffusion segment includes Diesel, DSquared2, Guess, Guess by Marciano, Gant, Harley Davidson, Just Cavalli, Swarovski, Timberland, Cover Girl, Kenneth Cole New York, as well as other brands targeted specifically to the U.S. market.
The house brands include WEB and Marcolin.

Geographically, the Group is now present in all major countries across the world through direct affiliates, partnerships (joint ventures) and exclusive distribution agreements with major players of the industry.

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Bond Refinancing

In January 2017 Marcolin began a process to refinance its debt existing as at 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 (with a zero-based floor) plus a 4.125% spread.

This use of this instrument was an appropriate means to restructure the financial debt efficiently and to obtain access to, at a favorable cost, financial resources designed to cover working capital requirements.

Within the scope of the bond issue, a euro 40 million super senior revolving credit facility was stipulated to provide access to funding for carrying out and developing short-term activities, of which euro 10 million had been used as at December 31, 2017 and euro 21 million as of September 30, 2018.

Pursuant to the new note issue and the stipulation of the new credit facility, the previous bond notes and revolving credit facility, issued on November 2013 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 3 Cime 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.

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 3 Cime 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 to pay other amounts to settle all HVHC Inc.'s claims with Marcolin Group companies for a total amount of USD 27 million. 3 Cime S.p.A. received the amount for the Vendor Loan Note repayment by way of a euro 25.9 million dividend payment from Marcolin S.p.A. to parent Marmolada S.p.A. (merged into its parent company 3 Cime S.p.A. with a deed dated November 27, 2017).

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

Joint Venture agreement with LVMH Group

In January 2017 a joint venture agreement was signed with the LVMH Group to set up a company, 51% owned by LVMH and 49% by Marcolin S.p.A. (thus it is an associative relationship), for the production, distribution and promotion of sunglasses and eyeglasses with some brands of the LVMH Group. With respect to the obligations of such agreement, pursuant to the approval obtained from the antitrust authorities, on October 18, 2017 a capital increase of 6,828,708 shares was stipulated, with a different class of shares than those owned by 3 Cime S.p.A., representing 10% of share capital, with a contextual waiver by 3 Cime S.p.A. of the pre-emption right under Civil Code Article 2441 and offered for subscription to Vicuna Holding S.p.A., a subsidiary of the LVMH Group. The capital increase had a total value of euro 21,900,000.00, including a share premium of euro 18,309,725.18. Some corporate changes took place within the scope of the agreements with the new shareholder, including an increase in the maximum number of Marcolin S.p.A. Board of Director members to 13 members, the appointment as Director on October 18, 2018 of Massimo Renon, who had been with the Marcolin Group since January 2017 as the General Manager of Marketing, Products, Licenses and Sales, and who then assumed the role of C.E.O. and General Manager, whereas Giovanni Zoppas took on the role of Executive Deputy Chairman. On the same date, Giovanni Zoppas also took over the management of the Marcolin Group/LVMH joint venture as the C.E.O. The purpose of the change is to contribute to the achievement of the two companies' best possible performance and ensure the alignment of their interests.
The opening ceremony of new production plant took place on April 24, 2018. The current production is 1.5 million pieces a year and could potentially reach 4.5 million pieces.

New Investments in Middle East and Mexico

On March 23, 2017 Marcolin Group stipulated a joint venture agreement in the Middle East with the Rivoli Group, one of the leading luxury retailers in that area. The new company, Marcolin Middle East FZCO, 51%-owned by Marcolin S.p.A. (the share acquisition was completed on June 6, 2017), is based in Dubai in the United Arab Emirates, and will distribute eyewear collections of Marcolin's portfolio brands: 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.

On April 19, 2018 Marcolin Group signed a joint venture agreement with Moendi, one of the largest independent distributors in Mexico. Moendi has over 25 years of experience in the wholesale and retail distribution of luxury and diffusion sunglasses and eyeglasses in Mexico, selling more than 250,000 frames a year with 20 sales representatives covering the national territory. The joint venture, named Marcolin Mexico, is 51% owned by Marcolin Group and its headquarters is in Naucalpan in the State of Mexico. It distributes the eyewear collections of some of the brands which are part of the Marcolin Group portfolio.

New License agreements

On May 30, 2018, Marcolin Group and Bally, historic Swiss luxury brand, have announced the signing of an exclusive worldwide license agreement for the design, production and distribution of sunglasses and optical frames for women and men with the Bally brand. The agreement will last for five years, up to December 2023, with the possibility of a renewal for another four years. A preview launch of the eyewear collection is to be held for the Asian market, later extending to the rest of the world.

On July 5, 2018 Marcolin Group and Tod's Group signed the early renewal of the license agreement for the design, manufacturing, and worldwide distribution of Tod's Eyewear sunglasses and eyeglasses. The licensing agreement, signed for the first time in 2008, has been extended for another 5 years, until the end of December 2023. Tod's, always a symbol of tradition, high quality and modernity, embodies timeless elegance. Undisputed as a key element is the leather used in all of its shades and artisanal craftsmanship.

On September 26, 2018 Marcolin Group and TBL Licensing LLC announced the early renewal of the licensing agreement for the design, production and worldwide distribution of Timberland® optical frames and sunglasses. The agreement, signed for the first time in 2003, has been renewed for a further five years until December 2023.

Logistic project in Hong Kong

Starting from August 2018 an asian hub has been set up in order to directly manage the Far East markets for Asian-fitting products. This has permitted to gain efficiency over logistic activities and to be faster on satisfying market requests.
Nowadays Marcolin Group has three geographical hubs: the European hub located in Longarone, the American hub located in USA and the Asian hub located in Hong Kong.

Additional strategic objectives

For Marcolin, after years of repositioning, reorganization and especially development activities, 2018 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, 2018 have been prepared on a going concern basis following IAS 34 "*Interim Financial Reporting*" which governs interim financial reporting.
IAS 34 permits a significantly lower amount of information to be included in interim financial statements from what is required for annual financial statements by International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (hereafter "IFRS"), given that the entity has prepared its financial statements compliant with IFRS for the previous fiscal year.
The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2017.
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, 2018 are consistent with those used to prepare the annual consolidated financial statements as at December 31, 2017, 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, 2017.
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, 2018

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.

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.

Furthermore, the following new interpretations and amendments became effective on January 1, 2018:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40 – Transfers of Investment Property;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transaction;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.
- Clarifications to IFRS 15

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

On October 31, 2017 the European Union issued Regulation n. 2017/1986 approving IFRS 16 (Leases). The standard will be effective for annual periods beginning on or after January 1, 2019. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

On March 22, 2018 the European Union issued Regulation n. 2018/498 adopts Amendments to IFRS 9 Financial Instruments Prepayment features with Negative Compensation. The standard will be effective for annual periods beginning on or after January 1, 2019. The impacts on the consolidated financial statements arising from the new standard are currently being assessed.

On October 23, 2018 the European Union issued Regulation n. 2018/1595 adopts IFRIC 23 Uncertainty over Income Tax Treatment. The standard will be effective for annual periods beginning on or after January 1, 2019. 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**
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	*January 1, 2019*
Annual Improvements to IFRS 2015-2017 Cycle	*January 1, 2019*
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	*January 1, 2019*
Amendments to References to the Conceptual Framework in IFRS Standards	*January 1, 2020*
Amendment to IFRS 3 Business Combinations	*January 1, 2020*
IFRS 17 (Insurance contracts)	*January 1, 2021*

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, 2017.

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, 2018 reflect the consolidated companies at that date, i.e. Marcolin S.p.A. (the Parent Company), its Italian and foreign subsidiaries and the companies over which it exercises a dominant influence, whether directly or indirectly.

The companies list is set forth below.

Company	Headquarters	Currency	Share capital	Consolidation method	%ownership	
					Direct	Indirect
Marcolin Asia HK Ltd	Hong Kong	HKD	1,539,785	Full consolidation	100.0%	
Marcolin Benelux Sprl	Villers-Le-Bouillet, Belgium	EUR	280,000	Full consolidation	100.0%	
Marcolin do Brasil Ltda	Barueri - SP, Brasil	BRL	41,369,129	Full consolidation	100.0%	
Marcolin Deutschland Gmbh	Koln, Germany	EUR	300,000	Full consolidation	100.0%	
Marcolin France Sas	Paris, France	EUR	1,054,452	Full consolidation	100.0%	
Marcolin GmbH	Muttenz, Switzerland	CHF	200,000	Full consolidation	100.0%	
Marcolin Iberica SA	Barcelona, Spain	EUR	487,481	Full consolidation	100.0%	
Marcolin Nordic AB	Stockholm, Sweden	SEK	50,000	Full consolidation	100.0%	
Marcolin Portugal Lda	Lisbon, Portugal	EUR	420,000	Full consolidation	100.0%	
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	CNY	3,001,396	Full consolidation	100.0%	
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	CNY	1,000,000	Full consolidation	100.0%	
Marcolin UK Ltd	Greenham, England	GBP	3,572,718	Full consolidation	100.0%	
Marcolin USA Eyewear Corp.	Somerville, USA	USD	121,472,262	Full consolidation	100.0%	
Viva Eyewear Hong Kong Ltd	Hong Kong	HKD	100	Full consolidation		100.0%
Viva Eyewear UK Ltd	Greenham, England	GBP	-	Full consolidation		100.0%
Viva Deutschland Gmbh - in liquidation	Schwaebisch Gmund, Germany	EUR	25,000	Full consolidation		50.0%
Viva Schweiz AG - in liquidation	Wallis, Switzerland	CHF	150,305	Full consolidation		50.0%
Marcolin-RUS LLC	Moscow, Russia	RUB	305,520	Full consolidation	51.0%	
Gin Hong Lin Intenational Co Ltd	Hong Kong	HKD	25,433,653	Full consolidation	50.0%	
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	CNY	22,045,100	Full consolidation		50.0%
Marcolin Middle East FZCO	Dubai Airport Freezone, UAE	AED	100,000	Full consolidation	51.0%	
Marcolin Middle East LLC	Dubai, UAE	AED	300,000	Full consolidation		25.0%
Marcolin México S.A.P.I. de C.V.	Naucaplan de Juarez, Mexico	MXN	100,000	Full consolidation	51.0%	
Thélios SpA	Longarone (BL), Italy	EUR	1,000,000	Equity	49.0%	
Thélios France Sas	Paris, France	EUR	40,000	Equity		49.0%
Thelios USA Inc.	Somerville, USA	USD	1,000	Equity		49.0%

The following changes took place in the scope of consolidation since December 31, 2017:

- At the end of December 2017 Viva Deutschland Gmbh and its subsidiaries were put on liquidation, as a consequence of the expiration of the distribution agreement of Guess and Gant branded products originally signed with these companies. As part of the liquidation process, on July 4, 2018 Viva Eyewear Brillenvertriebs GmbH, the Austrian subsidiary of Viva

Deutschland Gmbh, ceased to exist. The liquidation process for the other two entities will conclude by the end of 2018;

- On January 24, 2018 Viva Optique de Mexico SA was put out of the consolidation area as a consequence of the termination of the joint venture agreement. On April 19, 2018, Marcolin Group signed a joint venture agreement with the new partner Moendi. By way of the new agreement, the entity Marcolin Mexico SAPI de CV has been established, 51% owned by Marcolin SpA. Refer to the "*other informations*" section for further details of the transaction;
- On January 31, 2018 Thélios USA Inc. has been established. The entity is fully controlled by Thélios S.p.A..

Italian tax consolidation

At the end of 2016 the three-year term ended for the option of Italian tax consolidation for IRES purposes between the ultimate parent company, 3 Cime S.p.A., and its subsidiaries, including Marcolin S.p.A., under Presidential Decree 917, Article 117 *et seq* of December 22, 1986 (Italian Tax Code or "TUIR"). On March 31, 2017 the company renewed the tax consolidation agreement for the three-year term of 2017 - 2019.
The tax consolidation agreement enables each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the fiscal management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.
Tax consolidation transactions are summarized below:

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

Exchange rates

The following table lists the exchange rates used for currency translation (the closing and average exchange rates refer to September 30, 2018 and January-to-September 2018, respectively):

Currency	Symbol	Closing exchange rate			Average exchange rate		
		09/30/2018	12/31/2017	Change	2018	2017	Change
Dirham Emirati Arabi	AED	4.251	4.404	(3.5)%	4.386	4.148	5.7%
Australian Dollar	AUD	1.605	1.535	4.6%	1.576	1.473	7.0%
Brasilian Real	BRL	4.654	3.973	17.1%	4.297	3.605	19.2%
Canadian Dollar	CAD	1.506	1.504	0.2%	1.537	1.465	5.0%
Swiss Franc	CHF	1.132	1.170	(3.3)%	1.161	1.112	4.4%
Renminbi	CNY	7.966	7.804	2.1%	7.779	7.629	2.0%
Danish Krone	DKK	7.456	7.445	0.2%	7.450	7.439	0.2%
English Pound	GBP	0.887	0.887	0.0%	0.884	0.877	0.8%
Hong Kong Dollar	HKD	9.058	9.372	(3.4)%	9.363	8.805	6.3%
Mexican Pesos	MXN	21.780	23.661	(8.0)%	22.738	21.329	6.6%
Norwegian Krone	NOK	9.467	9.840	(3.8)%	9.588	9.327	2.8%
Russian Rublo	RUB	76.142	69.392	9.7%	73.416	65.938	11.3%
Swedish Krona	SEK	10.309	9.844	4.7%	10.237	9.635	6.3%
US Dollar	USD	1.158	1.199	(3.5)%	1.194	1.130	5.7%

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)*	**09/30/2018**	**12/31/2017**	**Increase/decrease**	
			euro	**%**
Property, plant and equipment	26,817	29,071	(2,253)	(7.8)%
Intangible assets	46,477	49,610	(3,133)	(6.3)%
Goodwill	285,520	282,326	3,194	1.1%
Investments in subsidiaries and associates	2,953	610	2,343	384.0%
Deferred tax assets	32,998	34,895	(1,897)	(5.4)%
Other non-current assets	2,689	2,596	93	3.6%
Non-current financial assets	2,506	3,171	(665)	(21.0)%
Total non-current assets	**399,960**	**402,278**	**(2,318)**	**(0.6)%**

The net value of non-current assets decreased by euro 2.318 million from December 31, 2017.
Property, plant and equipment and Intangible assets decrease mainly refers to depreciation and amortization effect which is higher than new investments. Goodwill increase by euro 3.194 million is only due to translation effect.
Investment in subsidiaries and associates increase is due to the equity method consolidation effect of Thélios SpA and its subsidiaries, as a direct consequence of the capital injection performed by the two shareholders Marcolin SpA and LVMH Group executed on April 2018.

2. Current assets

The composition of current assets is shown below:

Current assets *(euro/000)*	**09/30/2018**	**12/31/2017**	**Increase/decrease**	
			euro	**%**
Inventories	139,544	122,582	16,962	13.8%
Trade receivables	74,273	82,091	(7,819)	(9.5)%
Other current assets	26,798	14,680	12,118	82.6%
Current financial assets	22,674	13,332	9,342	70.1%
Cash and bank balances	21,356	40,805	(19,449)	(47.7)%
Total current assets	**284,645**	**273,491**	**11,154**	**4.1%**

The total value of current assets increased by euro 11.154 million from December 31, 2017, mainly as a result of the combined effect of the changes listed below.

Inventories increased by euro 16.962 million compared to the previous year. Overall inventories are in line compared to previous year, the increase is mainly attributable to the new stock acquisition to set up the new subsidiary in Mexico and the buildup of stock to manage the fourth quarter 2018 expected sales.
Inventory is shown net of provision for inventory impairment.

The decrease in Trade receivables compared to December 31, 2017 is largely affected by business seasonality, since usually third quarter experiences the lowest sales level than other quarters of the year. DSO index keeps maintaining a great level.
Trade receivables are shown net of the provision for doubtful debts and returns.

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

Current financial assets primarily refer to the financial loan granted to Thélios S.p.A. from Marcolin S.p.A. under the loan agreement stipulated with the associate entity to enable Thélios S.p.A. to finance the start-up of its business.

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

3. Equity

The Parent Company's share capital is euro 35,902,749.82, fully paid-in, comprised of 61,458,375 ordinary shares without par value and 6,828,708 Class B shares without par value issued on October 5, 2017 to the new shareholder, Vicuna Holding S.p.A. The entry of new shareholder Vicuna Holding S.p.A. was part of the larger plan for the joint venture agreement with the LVMH Group, stipulated in 2017.

Accordingly, 90% of the share capital was owned by 3 Cime S.p.A. and 10% by Vicuna Holding S.p.A. as at September 30, 2018.

The share premium reserve and capital reserve account, euro 170.304 million and euro 46.108 million, respectively, refer to payments made by the Marcolin S.p.A. shareholder in 2012 and 2013 for capital increases.

The legal reserve of euro 4.263 million has not reached the limit imposed by Italian Civil Code Article 2430.

The translation reserve of euro 368 thousand refers to the translation into euros of the financial statements of Group companies whose functional currency differs from the euro.

Other reserves, euro -54.704 million, include euro -7.346 million foreign exchange difference on the intercompany loan denominated in U.S. dollars granted by Marcolin S.p.A. to the subsidiary Marcolin USA Eyewear Corp. On November 18, 2016, pursuant to a Board of Directors' meeting held on October 27, 2016 by Marcolin S.p.A., the intercompany loan's maturity date was terminated without providing for repayment of the loan in the foreseeable future. Therefore, in accordance with IAS 21, the loan to the American subsidiary is classified as a quasi-equity loan, so all the exchange differences associated with it are recognized in the consolidated financial statements in a specific equity reserve, like the exchange differences of financial statements denominated in foreign currency.

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

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities	**09/30/2018**	**12/31/2017**	**Increase/decrease**	
(euro/000)			**euro**	**%**
Non-current financial liabilities	252,851	255,355	(2,504)	(1.0)%
Non-current funds	7,706	7,336	369	5.0%
Deferred tax liabilities	1,947	5,546	(3,599)	(64.9)%
Other non-current liabilities	3,291	4,689	(1,398)	(29.8)%
Total non-current liabilities	**265,795**	**272,927**	**(7,131)**	**(2.6)%**

Non-current liabilities decrease by euro 7.131 million, mainly related to non-current financial liabilities, deferred tax liabilities and other non-current liabilities. The principal amount of non-current financial liabilities is the non-convertible senior-secured bond notes for a total amount of euro 250 million, issued on February 2017, with a 6-year maximum term, maturing on February 15, 2023, at a variable interest rate equal to the three-month EURIBOR (shall be subject to a floor of zero%) plus a 4.125% spread.

5. Current liabilities

Current liabilities are set forth below:

Current liabilities *(euro/000)*	**09/30/2018**	**12/31/2017**	**Increase/decrease**	
			euro	**%**
Trade payables	126,160	126,800	(639)	(0.5)%
Current financial liabilities	50,908	39,369	11,539	29.3%
Current funds	418	418	()	(0.0)%
Tax liabilities and others	38,686	33,950	4,736	13.9%
Total current liabilities	**216,172**	**200,537**	**15,635**	**7.8%**

Current liabilities as at September 30, 2018 show an increase of euro 15.635 million compared to December 31, 2017. In particular, the following may be observed:

- Trade payables as at September 30, 2018 amounted to euro 126.160 million almost in line compared to the December 31, 2017;
- 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 21 million as of September 30, 2018. The increase compared to December 31, 2017 mainly refers to higher proceeds from short-term financing from banks and from the revolving credit facility (it was drawn for euro 10 million as at December 31, 2017);
- the increase in tax liabilities and others are mainly due to tax liabilities (including VAT and other employees tax liabilities and social contributions) and other employee’s liabilities (such as vacations and bonuses not yet paid).

6. Net financial position

The net financial debt as at September 30, 2018 is set forth below in comparison with December 31, 2017:

Net financial debt *(euro/000)*	**09/30/2018**	**12/31/2017**	**Increase/decrease**	
			euro	**%**
Cash and cash equivalents	21,356	40,805	(19,449)	(47.7)%
Current and non-current financial assets	25,180	16,503	8,677	52.6%
Current financial liabilities	(50,908)	(39,369)	(11,539)	29.3%
Non-current financial liabilities	(252,851)	(255,355)	2,504	(1.0)%
Total net financial debt	**(257,224)**	**(237,417)**	**(19,807)**	**7.7%**

The net financial debt is euro 257.224 million, compared to euro 237.417 million at December 31, 2017. The increase is mainly due to trade working capital seasonality trend and the capital injection on the associate entity Thélios SpA executed on April 2018 for some euro 9.800 million.

The main components of the Group's debt are the bond notes for a notional amount of euro 250 million, the super senior revolving credit facility of euro 40 million, of which euro 21 million has been used as at September 30, 2018, and short and medium-term loans granted by various banks. The current and non-current financial assets are composed prevalently of the loan granted to associate Thélios S.p.A. by Marcolin S.p.A. to provide the joint venture with sufficient funding for the start-up of its business.

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

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ANALYSIS OF CONDENSED CONSOLIDATED INCOME STATEMENT

The Group's interim Condensed Consolidated Income Statement as at September 30, 2018 is summarized below against the results as at September 30, 2017.

The 2018 net sales to date are euro 345.154 million, compared to euro 341.520 million for the first nine months of 2017.

The September 2018 Reported Ebitda is euro 34.902 million, compared to 35.230 million for the nine months of 2017.

Reported Ebit is euro 21.103 million, compared to euro 22.315 million for the nine months of 2017.

Consolidated income statement	**09/30/2018**		**09/30/2017**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Net revenues	345,154	100.0%	341,520	100.0%
Gross profit	199,587	57.8%	201,801	59.1%
Ebitda	34,902	10.1%	35,230	10.3%
Operating income - Ebit	21,103	6.1%	22,315	6.5%
Financial income and costs	(15,459)	(4.5)%	(27,474)	(8.0)%
Profit before taxes	(1,773)	(0.5)%	(5,158)	(1.5)%
Net profit/(loss) for the period	(3,116)	(0.9)%	(5,013)	(1.5)%

Economic indicator - adjusted	**09/30/2018**		**09/30/2017**	
(euro/000)	**euro**	**% of net revenues**	**euro**	**% of net revenues**
Ebitda	36,583	10.6%	36,216	10.6%
Operating income - Ebit	22,784	6.6%	23,301	6.8%

Excluding the effects of extraordinary transactions, the September 2018 Adjusted Ebitda is euro 36.583 million (10.6% of net sales), against the September 2017 Adjusted Ebitda of euro 36.216 million (10.6% of net sales).

7. Net Revenues

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

Net Revenues by geographical area	09/30/2018		09/30/2017		Increase (decrease)	
(euro/000)	Net Revenues	% on total	Net Revenues	% on total	euro	%
Italy	*24,792*	*7.2%*	*24,149*	*7.1%*	*643*	*2.7%*
Rest of Europe	*108,322*	*31.4%*	*106,647*	*31.2%*	*1,675*	*1.6%*
Europe	133,114	38.6%	130,796	38.3%	2,318	1.8%
Americas	140,776	40.8%	143,230	41.9%	(2,454)	(1.7)%
Asia	21,260	6.2%	20,314	5.9%	947	4.7%
Rest of World	50,004	14.5%	47,181	13.8%	2,823	6.0%
Total	**345,154**	**100.0%**	**341,520**	**100.0%**	**3,634**	**1.1%**

In the first nine months of 2018 net sales were euro 345.154 million and increase of euro 3.634 million (1.1%) in comparison to the same period of 2017. At constant exchange rates net sales are euro 360.484 million, with an increase of euro 18.967 million (+5.6%) compared to previous period. The significant difference from the net sales at current exchange rates and at constant exchange rates is mainly due to the USD devaluation during 2018 compared to 2017.

Italy
Revenues in the domestic market grew by +2.7% compared to the same period of 2017, exceeding the good results reached during 2017.

Rest of Europe
Revenues from the Rest of Europe market (euro 108.322 million) increased by 1.6% compared to the same period of 2017 at current exchange rates. At constant exchange rates the growth is +3.4%. Very strong performance for diffusion brands, led by Timberland, Guess and Gant, as well as luxury brands led by Tom Ford.
In this area continues the positive performance of the joint venture in Russia. Good performances also in Nordic area, Spain, Benelux, Germany and UK.

Americas
In the Americas area, net sales show a decrease compared to the same period of 2017 at current exchange rates for some -1.7%, while at constant exchange rates the increase is +6.0%. This is due to the over 7% devaluation of USD currency compared to EUR during the first nine months of 2018 compared to the same period of 2017. At constant exchange rates both diffusion and luxury brands show a very positive high single-digit growth, mainly led by Guess, Swarovski and Skechers for diffusion brands, Tom Ford for luxury ones.

Asia
The Asian Far East market shows an increase in net sales of some 4.7% at current exchange rates and 11.5% at constant exchange rates. The best performer in this area is South Korea, partially recovering last year negative results due to the slowdown of economy in this country because of social and political environment turmoil.

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 2018 net sales amount to euro 50.0 million and show a significant growth (+6.0%) compared with the same period of the previous year (at constant exchange rates the growth is + 8.0%).
In this area net sales are led by luxury brands which show a very high single-digit growth.

8. Cost of sales

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

Cost of sales (euro/000)	09/30/2018	% on net revenues	09/30/2017	% on net revenues	Increase/decrease	
					euro	%
Product cost	132,594	38.4%	128,138	37.5%	4,456	3.5%
Cost of personnel	8,516	2.5%	7,173	2.1%	1,343	18.7%
Amortization, depreciation and writedowns	2,607	0.8%	2,448	0.7%	159	6.5%
Other production cost	1,849	0.5%	1,961	0.6%	(112)	(5.7)%
Total	**145,566**	**42.2%**	**139,719**	**40.9%**	**5,847**	**4.2%**

The cost of sales amounted to euro 145.566 million for the nine months ended September 30, 2018, an increase of euro 5.847 thousand, or 4.2%, from euro 139.719 million for the nine months ended September 30, 2017.
The cost of sales as a percentage of net revenues is 42.2% for the nine months ended September 30, 2018 compared to 40.9% for the nine months ended September 30, 2017. The slight decrease compared to previous year is due to different sales mix.

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)	09/30/2018	% on net revenues	09/30/2017	% on net revenues	Increase/decrease	
					euro	%
Cost of personnel	42,032	12.2%	37,272	10.9%	4,760	12.8%
Commissions	22,061	6.4%	23,085	6.8%	(1,025)	(4.4)%
Amortization	8,016	2.3%	5,981	1.8%	2,036	34.0%
Royalties	43,750	12.7%	42,591	12.5%	1,159	2.7%
Advertising and PR	22,958	6.7%	26,015	7.6%	(3,058)	(11.8)%
Other costs	23,820	6.9%	20,493	6.0%	3,327	16.2%
Total	**162,638**	**47.1%**	**155,438**	**45.5%**	**7,199**	**4.6%**

The distribution and marketing expenses amounted to euro 162.638 million for the nine months ended September 30, 2018, an increase of euro 7.199 million or 4.6% from euro 155.438 million for the nine months ended September 30, 2017.

Commissions expenses amounted to euro 22.061 million in 2018, a decrease of 4.4% from the euro 23.085 million for the nine months ended September 30, 2017.

In 2018 Royalties amounted to euro 43.750 million, very close to previous year amount. In 2018 Royalties as a percentage of net revenues is 12.7%, compared to 12.5% of 2017.

Advertising and PR expenses in 2018 amounted to euro 22.958 million, a decrease of euro 3.058 million, or 11.8%, from the euro 26.015 million in the same period of 2017. As a percentage of net revenues, Advertising and PR expenses in 2018 is 6.7%, compared to 7.6% of 2017.

The “other costs” refer mainly to freight expenses, business travel, rent and services. In 2018, other costs amounted to euro 23.820 million, an increase of euro 3.327 thousand or 16.2%, from the euro 20.493 million for the nine months ended September 30, 2017. As a percentage of net revenues, they are 6.9%, compared to 6.0% for the nine months ended September 30, 2017.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses *(euro/000)*	09/30/2018	% on net revenues	09/30/2017	% on net revenues	Increase/decrease	
					euro	**%**
Cost of personnel	11,133	3.2%	8,859	2.6%	2,274	25.7%
Amortization and writedowns	3,175	0.9%	4,486	1.3%	(1,311)	(29.2)%
Other costs	12,549	3.6%	11,018	3.2%	1,531	13.9%
Total	**26,858**	**7.8%**	**24,364**	**7.1%**	**2,494**	**10.2%**

General and administrative expenses amounted to euro 26.858 million for the nine months ended September 30, 2018, compared to euro 24.364 million for the nine months ended September 30, 2017. As a percentage of net revenues, in 2018 general and administrative expenses is 7.8%, compared to 7.1% for 2017.

11. Other operating income and expenses

The total amount of other operating income and expenses amounted to euro 11.011 million for the nine months ended September 30, 2018. The amount mainly refers to commercial and distributive services recharged from Marcolin S.p.A. to the associated entity Thélios S.p.A.. The service started during the fourth quarter of 2017.

12. Share of profits/(losses) of associates

The amount of euro -7.417 million corresponds to the effect of consolidation using the equity method of the associate entity Thélios SpA and its subsidiaries.

13. Financial income and costs

Net Financial Income and expenses amounted to euro 15.459 million for the nine months ended September 30, 2018 compared to euro 27.474 million for the nine months ended September 30, 2017. The significant decrease compared to previous period is directly correlated to the extraordinary refinancing operation occurred on February 2017. September 30, 2017 figures were impacted by extraordinary financial expenses for some euro 13.1 million. Excluding these extraordinary elements, the total net financial expenses as at September 30, 2017 are some euro 14.4 million. The positive impact of the lower level of interest rate of the new bond issued on February 2017 is partially offset mainly by unrealized exchange rate losses due to the Brazilian Reals strong devaluation occurred during 2018.

14. Income tax expense

The estimated income tax expense amounted to euro -1.343 million for the nine months ended September 30, 2018, compared to the euro +0.145 thousand for nine months ended September 30, 2017.
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

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 2018, there were no significant non-recurring events and/or transactions.

Atypical and unusual transactions

In the first nine months of 2018 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, 2018 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.	1,688	224	1,314	184	Related party
Pai Partners Sas	45	-	104	-	Related party
Coffen Marcolin Family	512	-	231	-	Related party
O.T.B. Group	1,498	50	-	488	Related party
3 Cime S.p.A.	-	-	-	1,050	Consolidating
Thélios S.p.A.	10,218	16,118	5,671	17,522	Associates
Total	**13,960**	**16,392**	**7,320**	**19,243**	

The same table is set forth as at September 30, 2017:

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**	

Longarone; October 24, 2018

For the Board of Directors

C.E.O.
Massimo Renon

MARCOLIN
EYEWEAR