

MARCOLIN
EYEWEAR

MARCOLIN GROUP

SEMIANNUAL FINANCIAL REPORT

June 30, 2016

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

MARCOLIN
EYEWEAR

CONTENTS

GENERAL INFORMATION	5
CORPORATE BOARDS AND AUDITORS	7
MARCOLIN GROUP STRUCTURE	8
MARCOLIN GROUP SEMIANNUAL CONSOLIDATED FINANCIAL STATEMENT	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	11
CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	12
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	13
NOTES TO THE SEMIANNUAL CONSOLIDATED FINANCIAL STATEMENTS	15

GENERAL INFORMATION

CORPORATE BOARDS AND AUDITORS

Board of Directors ¹

Vittorio Levi	Chairman
Giovanni Zoppas	C.E.O. and General Manager
Antonio Abete	Director
Nicolas Brugère	Director
Francesco Capurro	Director
Cirillo Coffen Marcolin	Director
Roberto Ferraresi	Director
Emilio Macellari	Director
Frédéric Jaques Mari Stévenin	Director
Franck Raymond Temam	Director
Raffaele Roberto Vitale	Director

Board of Statutory Auditors ¹

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

Internal Audit Committee ²

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

Supervisory Body ²

Federico Ormesani	Chairman
David Reali	Supervisor
Cirillo Coffen Marcolin	Supervisor

Independent Auditors ³

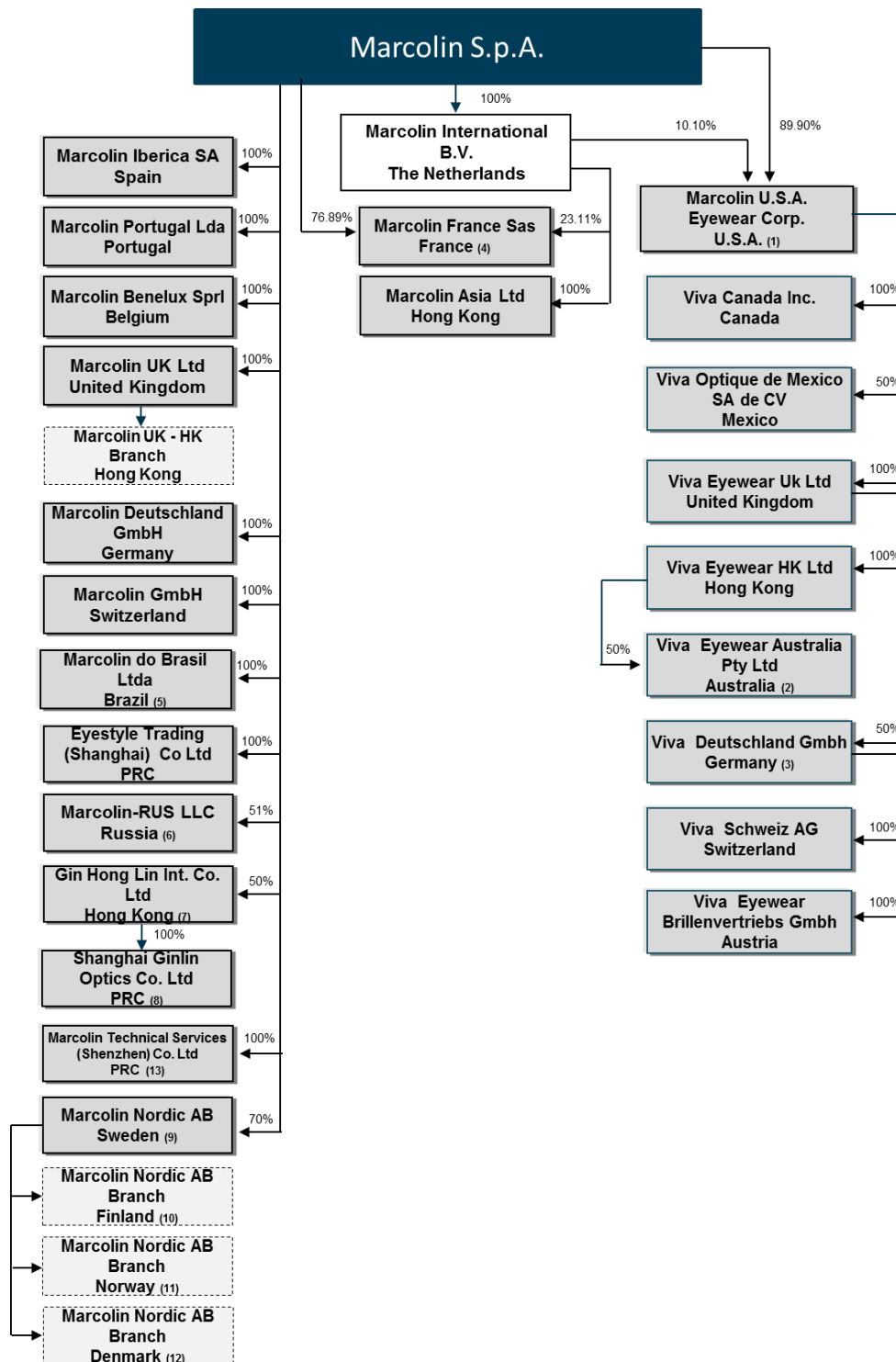
PricewaterhouseCoopers S.p.A.

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

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

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

MARCOLIN GROUP STRUCTURE



NOTES:

- (1) Viva IP, Viva International, Miracle Optics, Viva Europe, have been merged in Viva Optique on January 1, 2015. The new company resulting from the merge is called Marcolin USA Eyewear Corp.
- (2) Company in liquidation starting from February 5, 2015.
- (3) JV and distribution agreement extended till December 31, 2017, for the whole sub-group.
- (4) Viva France Sas has been merged into Marcolin France Sas on January 1, 2015.
- (5) Viva Brasil Comércio Produtos Ópticos Ltda has been merged into Marcolin do Brasil Ltda on January 1, 2015. On December 28, 2015 Marcolin SpA acquired from Marcolin Portugal Lda 0,1% of Marcolin do Brasil Ltda.
- (6) Purchased on December 15, 2014. On July 10, 2015 its name is changed in Marcolin-RUS LLC.
- (7) Established on November 3, 2014.
- (8) Purchased on January 20, 2015.
- (9) Purchased on January 19, 2015.
- (10) Established on March 19, 2015.
- (11) Established on April 16, 2015.
- (12) Established on May 29, 2015.
- (13) Established on October 22, 2015.

**MARCOLIN GROUP SEMIANNUAL
CONSOLIDATED FINANCIAL STATEMENT**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(euro/000)</i>	Notes	06/30/2016	12/31/2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	26,148	27,258
Intangible assets	1	44,084	46,043
Goodwill	1	285,918	288,225
Investments in subsidiaries and associates	1	1,749	1,775
Deferred tax assets	1	33,368	36,793
Other non-current assets	1	504	563
Non-current financial assets	1; 6	3,773	4,461
Total non-current assets		395,543	405,119
CURRENT ASSETS			
Inventories	2	117,948	120,214
Trade receivables	2	79,902	75,226
Other current assets	2	16,271	15,392
Current financial assets	2; 6	688	1,022
Cash and bank balances	2; 6	46,786	40,382
Total current assets		261,594	252,236
TOTAL ASSETS		657,137	657,355
EQUITY			
Share capital	3	32,312	32,312
Additional paid-in capital	3	151,994	151,994
Legal reserve	3	4,077	4,077
Other reserves	3	53,572	59,017
Retained earnings (losses)	3	(19,447)	(16,903)
Profit (loss) for the year	3	6,997	(2,543)
Non-controlling interests	3	2,215	1,969
TOTAL EQUITY		231,721	229,924
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current financial liabilities	4; 6	199,783	200,626
Non-current provisions	4	9,079	8,703
Deferred tax liabilities	4	8,648	10,379
Other non-current liabilities	4	3,783	5,758
Total non-current liabilities		221,294	225,465
CURRENT LIABILITIES			
Trade payables	5	120,835	120,787
Current financial liabilities	5; 6	56,594	58,226
Current provisions	5	423	423
Tax liabilities	5	6,266	4,375
Other current liabilities	5	20,005	18,156
Total current liabilities		204,123	201,967
TOTAL LIABILITIES		425,417	427,432
TOTAL LIABILITIES AND EQUITY		657,137	657,355

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(euro/000)</i>	Notes	06/30/2016	%	06/30/2015	%
NET REVENUES	7	245,953	100.0%	222,869	100.0%
COST OF SALES	8	(104,040)	(42.3)%	(90,744)	(40.7)%
GROSS PROFIT		141,913	57.7%	132,124	59.3%
DISTRIBUTION AND MARKETING EXPENSES	9	(107,152)	(43.6)%	(103,071)	(46.2)%
GENERAL AND ADMINISTRATION EXPENSES	10	(16,096)	(6.5)%	(17,465)	(7.8)%
OPERATING INCOME / EXPENSES	11	644	0.3%	2,116	0.9%
OPERATING INCOME - EBIT		19,310	7.9%	13,705	6.1%
FINANCIAL INCOME AND COSTS	12	(9,174)	(3.7)%	(8,137)	(3.7)%
PROFIT BEFORE TAXES		10,135	4.1%	5,568	2.5%
INCOME TAX EXPENSE	13	(2,876)	(1.2)%	(4,308)	(1.9)%
NET PROFIT FOR THE PERIOD		7,259	3.0%	1,261	0.6%
Profit attributable to:					
Owners of the parent		6,997	2.8%	1,053	0.5%
Non-controlling interests		262	0.1%	208	0.1%

<i>(euro/000)</i>	06/30/2016	06/30/2015
NET PROFIT FOR THE PERIOD	7,259	1,261
Other items that will not subsequently be reclassified to profit or loss:		
Effect (actuarial gains/losses) on defined benefit plans, net of taxes	-	-
Other effects	-	-
TOTAL OTHER ITEMS THAT WILL NOT SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	-	-
Other items that will be subsequently reclassified to profit or loss:		
Change in foreign currency translation reserve	(5,396)	7,542
TOTAL OTHER ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	(5,396)	7,542
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD	1,863	8,803

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Additional paid-in capital	Legal Reserve	Other reserves					Profit/(loss) for the year	Period result	Capital and reserves net total	Non-controlling interests in equity	Total
				Shareholder's deposit in s/capital	Translation reserve	Other reserves	Retained earnings/(losses)						
(euro/000)													
December 2014	32,312	151,994	3,853	46,108	4,454	-	(114)	(17,086)	407	221,927	886	222,813	
Allocation of 2014 profit	-	-	224	-	-	-	-	183	(407)	-	-	-	
Change in consolidation perimeter	-	-	-	-	-	(93)	-	-	-	(93)	1,091	998	
Other movements	-	-	-	-	-	216	-	-	-	216	36	252	
- <i>Period result</i>	-	-	-	-	-	-	-	-	(2,543)	(2,543)	30	(2,513)	
- <i>Other components of comprehensive income</i>	-	-	-	-	8,345	-	103	-	-	8,448	(74)	8,374	
Total comprehensive income	-	-	-	-	8,345	-	103	-	(2,543)	5,904	(44)	5,861	
December 2015	32,312	151,994	4,077	46,108	12,799	123	(12)	(16,903)	(2,543)	227,954	1,969	229,924	
Allocation of 2015 profit	-	-	-	-	-	-	-	(2,543)	2,543	-	-	-	
Other movements	-	-	-	-	-	(3)	-	-	-	(3)	(64)	(66)	
- <i>Period result</i>	-	-	-	-	-	-	-	-	6,997	6,997	262	7,259	
- <i>Other components of comprehensive income</i>	-	-	-	-	(5,443)	-	-	-	-	(5,443)	47	(5,396)	
Total comprehensive income	-	-	-	-	(5,443)	-	-	-	6,997	1,554	309	1,863	
June 2016	32,312	151,994	4,077	46,108	7,356	120	(12)	(19,447)	6,997	229,506	2,215	231,721	

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(euro/000)</i>	06/30/2016	12/31/2015
OPERATING ACTIVITIES		
<i>Profit for the period</i>	7,259	(2,513)
Depreciation and amortization	6,243	10,954
Provisions	851	4,044
Income tax expense	2,876	10,082
Accrued financial income and costs	9,012	20,548
Adjustments to other non-cash items	(63)	(5,347)
<i>Cash generated by operations</i>	26,179	37,768
(Increase) decrease in trade receivables	(6,815)	(7,068)
(Increase) decrease in other receivables	(1,277)	(2,159)
(Increase) decrease in inventories	2,012	(18,932)
(Decrease) increase in trade payables	3,033	20,063
(Decrease)/increase in other liabilities	2,076	5,016
(Use) of provisions	(377)	(2,884)
(Decrease)/increase in current tax liabilities	1,360	(3,742)
Adjustments to other non-cash items	(79)	(4,723)
Income taxes paid	(109)	1,277
Interest paid	(9,704)	(19,043)
<i>Cash used for current operations</i>	(9,882)	(32,195)
Net cash from /(used in) operating activities	16,297	5,574
INVESTING ACTIVITIES		
(Purchase) of property, plant and equipment	(1,312)	(7,153)
Proceeds from the sale of property, plant and equipment	(1)	68
(Purchase) of intangible assets	(6,041)	(14,830)
Net cash from /(used in) investing activities	(7,354)	(21,914)
FINANCING ACTIVITIES		
Loans granted:		
- Increase	-	2,015
- Decrease	(1,452)	-
Net increase (decrease) in bank borrowings	62	(2,629)
Loans taken out:		
- new loans	13,218	74,046
- repayments	(14,439)	(55,784)
Capital increase	-	1,005
Dividends paid	(62)	(188)
Net cash from /(used in) financing activities	(2,673)	18,465
Net increase/(decrease) in cash and cash equivalents	6,270	2,124
Effect of foreign exchange rate changes	134	1,325
Cash and cash equivalents at beginning of year	40,382	36,933
Cash and cash equivalents at end of year	46,786	40,382

NOTES TO THE SEMIANNUAL CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

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

In 2015 the Marcolin group sold an estimated 15 million pairs of eyeglasses and sunglasses worldwide, with sales exceeding euro 434 million.

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

The merger of Viva's and Marcolin's operations has also generated significant cost synergies of approximately €10.0 million in terms of organization, sourcing, production and distribution, as well as cross-selling opportunities arising from the integration of the sales and distribution networks.

The Viva acquisition has bolstered Marcolin's distribution capacity on the American market. The Group is now present in all major countries across the world through direct affiliates, partnerships (joint ventures) and exclusive distribution agreements with major players.

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

In 2015, the Marcolin group had sales exceeding euro 434 million and some 1,710 employees (including 510 in the American affiliates), plus a widespread, well-structured network of independent agents.

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

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

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

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

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

Licensing events occurred during 2016:

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

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

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

- reduced dependence on external suppliers,
- increase productivity with reduction of the lead time by 1 week and increase the ability to seize market opportunities;
- made in/made out realignment according to the eyewear industry standards (and those of the main competitors) and expansion of the capacity to produce more Italian-made products, which are increasingly perceived as having added value by the Italian and international clientele;
- as an essential condition for managing the inflation risk in the Chinese sourcing market, production insourcing will allow greater control of production factors, and not only in terms of cost-effectiveness.

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

ACCOUNTING POLICIES AND BASIS OF CONSOLIDATION

Accounting policies

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

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

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

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

The same financial statement format was used to prepare the annual consolidated financial statements as at December 31, 2015.

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

Consolidated companies

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

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

Company	Headquarters	Currency	Share capital	Consolidation method	% ownership	
					Direct	Indirect
Marcolin Asia HK Ltd	Hong Kong	HKD	1,539,785	Full		100.00%
Marcolin Benelux Sprl	Faimes, Benelux	EUR	280,000	Full	100.00%	
Marcolin do Brasil Ltda	Barueri - SP, Brasil	BRL	9,575,240	Full	100.00%	
Marcolin Deutschland Gmbh	Ludwigsburg, Germany	EUR	4,650,000	Full	100.00%	
Marcolin France Sas	Parigi, France	EUR	1,054,452	Full	76.89%	23.11%
Marcolin GmbH	Fullinsdorf, Switzerland	CHF	200,000	Full	100.00%	
Marcolin Iberica SA	Barcelona, Spagna	EUR	487,481	Full	100.00%	
Marcolin International BV	Amsterdam, Netherlands	EUR	18,151	Full	100.00%	
Marcolin Portugal Lda	Lisbona, Portogallo	EUR	420,000	Full	99.82%	
Eyestyle Trading (Shanghai) Co Ltd	Shanghai, PRC	CNY	3,001,396	Full	100.00%	
Marcolin Technical Services (Shenzhen) Co. Ltd	Shenzhen, PRC	CNY	1,000,000	Full	100.00%	
Marcolin UK Ltd	Newbury, UK	GBP	3,572,718	Full	100.00%	
Marcolin USA Eyewear Corp.	Somerville, Usa	USD	121,472,262	Full		100.00%
Viva Canada Inc	New Brunswick, Canada	CAD	347,640	Full		100.00%
Viva Eyewear Hong Kong Ltd	New Territories, Hong Kong	HKD	100	Full		100.00%
Viva Eyewear UK Ltd	North Yorkshire, UK	GBP	-	Full		100.00%
Joint Ventures						
Viva Optique de Mexico SA de CV	Edo, Mexico	MXN	3,694,685	Equity		50.00%
Viva Eyewear Australia Pty Ltd	Rosebery NSW, Australia	AUD	1,000,000	Equity		50.00%
Viva Deutschland Gmbh	Schwaebisch Gmund, Germany	EUR	25,000	Full		50.00%
Viva Eyewear Brillenvertriebs Gmbh	Voklabruck, Austria	EUR	35,000	Full		50.00%
Viva Schweiz AG	Wallis, Switzerland	CHF	100,000	Full		50.00%
Marcolin-RUS LLC	Moscow, Russia	RUB	372,583	Full	51.00%	
Gin Hong Lin Intenational Co Ltd	Hong Kong	HKD	16,962,203	Full	50.00%	
Shanghai Ginlin Optics Co Ltd	Shanghai, PRC	CNY	14,354,200	Full		50.00%
Marcolin Nordic AB	Solna, Stockholm	SEK	50,000	Full	70.00%	

During the first six months of fiscal year 2016 no changes in consolidation area occurred.

Italian tax consolidation

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

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

From the current year to December 31, 2016, the tax consolidation regime will enable each participant (including the Company), by way of partial recognition of the group's tax burden, to optimize the financial management of corporate income tax (IRES), for example by netting taxable income and tax losses within the tax group.

Exchange rates

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

Currency	Symbol	Closing exchange rate			Average exchange rate		
		06/30/2016	12/31/2015	Change	06/30/2016	06/30/2015	Change
Australian Dollar	AUD	1.493	1.490	0.2%	1.522	1.426	6.7%
Braslian Real	BRL	3.590	4.312	(16.7)%	4.130	3.310	24.8%
Canadian Dollar	CAD	1.438	1.512	(4.9)%	1.484	1.377	7.8%
Swiss Franc	CHF	1.087	1.084	0.2%	1.096	1.057	3.7%
Renminbi	CNY	7.376	7.061	4.5%	7.296	6.941	5.1%
Danish Krone	DKK	7.439	7.463	(0.3)%	7.450	7.456	(0.1)%
English Pound	GBP	0.827	0.734	12.6%	0.779	0.732	6.3%
Hong Kong Dollar	HKD	8.614	8.438	2.1%	8.668	8.652	0.2%
Japanese Yen	JPY	114.050	131.070	(13.0)%	124.414	134.204	(7.3)%
Mexican Pesos	MXN	20.635	18.915	9.1%	20.173	16.889	19.4%
Norwegian Krone	NOK	9.301	9.603	(3.1)%	9.420	8.648	8.9%
Russian Rublo	RUB	71.520	80.674	(11.3)%	78.297	64.641	21.1%
Swedish Krona	SEK	9.424	9.190	2.5%	9.302	9.340	(0.4)%
US Dollar	USD	1.110	1.089	1.9%	1.116	1.116	0.0%

ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Non-current assets

The composition of non-current assets is shown below:

Non-current assets (euro/000)	06/30/2016	12/31/2015	Increase/decrease	
			euro	%
Property, plant and equipment	26,148	27,258	(1,110)	(4.1)%
Intangible assets	44,084	46,043	(1,959)	(4.3)%
Goodwill	285,918	288,225	(2,307)	(0.8)%
Investments in subsidiaries and associates	1,749	1,775	(26)	(1.5)%
Deferred tax assets	33,368	36,793	(3,426)	(9.3)%
Other non-current assets	504	563	(58)	(10.4)%
Non-current financial assets	3,773	4,461	(688)	(15.4)%
Total non-current assets	395,543	405,119	(9,576)	(2.4)%

The net value of non-current assets decrease by euro 9.576 million from December 31, 2015, mainly due to amortization and depreciation on tangible and intangible assets, goodwill which decrease by euro 2.307 million due to the translation effect of the period and deferred tax asset which decrease by euro 3.426 million due to utilization of previous year fiscal losses.

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

- the maintenance, replacement and modernization of our production and logistics facilities (plant, machinery and equipment);
- investments in intangibles, in extending/improving terms and conditions of existing licenses (intangibles) and in license, software and business application implementation.

2. Current assets

The composition of current assets is shown below:

Current assets (euro/000)	06/30/2016	12/31/2015	Increase/decrease	
			euro	%
Inventories	117,948	120,214	(2,266)	(1.9)%
Trade receivables	79,902	75,226	4,676	6.2%
Other current assets	16,271	15,392	879	5.7%
Current financial assets	688	1,022	(333)	(32.6)%
Cash and bank balances	46,786	40,382	6,404	15.9%
Total current assets	261,594	252,236	9,358	3.7%

The total value of current assets rises by euro 9.358 million from December 31, 2015, mainly as a result of the combined effect of the changes listed below.

The net value of inventories decreased by euro 2.266 million compared to the previous year. The decrease in closing inventories is attributable both by business seasonality and by actions planned by management for 2016, that will continue to drive the inventory optimization throughout the year. In 2016 the total "days on inventory" (DOI), including raw materials, work in process and finished goods went down by 11 days in respect to 2015 year end.

The increase in net trade receivables is largely affected by the increased turnover, compared to December 2015. In the first six month of 2016, we see the results of the initiatives launched in 2015 on credit and client management, that made possible to reduce the Group's days sales outstanding (DSO) at June 30, 2016 by 4 days and the credit quality of 2% compared to year ended December 31, 2015.

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

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

3. Equity

The changes in equity refer to the net profit of euro 7.259 million and the recognition of the other components of comprehensive income of euro -5.396 million for the period (related to the translation differences reserve).

4. Non-current liabilities

The composition of non-current liabilities is shown below:

Non-current liabilities (euro/000)	06/30/2016	12/31/2015	Increase/decrease	
			euro	%
Non-current financial liabilities	199,783	200,626	(843)	(0.4)%
Non-current provisions	9,079	8,703	376	4.3%
Deferred tax liabilities	8,648	10,379	(1,730)	(16.7)%
Other non-current liabilities	3,783	5,758	(1,974)	(34.3)%
Total non-current liabilities	221,294	225,465	(4,171)	(1.9)%

Non-current liabilities decrease by euro 4.171 million, mainly as a result of the combined effect of the changes listed below:

- a decrease of non-current financial liabilities for euro 0.843 million, mainly driven by the repayments of borrowing, partially offset by the release of Bond amortized costs;
- a decrease of deferred tax liabilities for euro 1.730 million, due to the effect of temporal tax adjustment in the period;
- a decrease of other non-current liabilities for euro 1.974 million, mainly due to the payment of some non-current payables.

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

	Currency	Original amount (euro)	Residual amount (euro)	Maturity date	Interest rate	Notes
BOND	euro	200,000,000	200,000,000	11/14/2019	8.5%	Bond issued the 14th November 2013 - Half-yearly interests in 15th of May and 15th of November
Intesa San Paolo S.p.A., Goldman Sachs International, IKB Deutsche Industrie Bank AG, Natixis S.A., Unicredit S.p.A.	euro	25,000,000	25,000,000	06/03/2019	Euribor 1/2/3 months + spread 4%	Super Senior RCF - Revolving facility agreement - Euro 25.000.000 - signed the 18th November 2013
Unicredit S.p.A.	euro	5,000,000	3,125,000	12/31/2018	Euribor 3 months + spread	Loan guaranteed by SACE, granted on December 18, 2014, repayable in 16 quarterly installments from March 31, 2015
Banca Popolare FriulAdria S.p.A.	euro	3,000,000	1,774,824	03/04/2018	Euribor 3 months + spread	Loan granted on March 4, 2015, repayable in 12 quarterly installments from June 4, 2015
Banco Popolare s.c.r.l.	euro	1,500,000	1,125,000	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	2,101,774	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	502,352	12/31/2016	Euribor 6 months + spread	Loan granted on December 10, 2015, repayable in monthly installments from January 10, 2016
Banca Popolare FriulAdria S.p.A.	euro	1,500,000	1,500,000	09/28/2017	Euribor 3 months + spread	Loan granted on June 28, 2016, repayable in 5 quarterly installments from September 28, 2016

5. Current liabilities

Current liabilities are set forth below:

Current liabilities (euro/000)	06/30/2016	12/31/2015	Increase/decrease	
			euro	%
Trade payables	120,835	120,787	49	0.0%
Current financial liabilities	56,594	58,226	(1,632)	(2.8)%
Current provisions	423	423	()	(0.0)%
Other current liabilities	26,271	22,531	3,740	16.6%
Total current liabilities	204,123	201,967	2,157	1.1%

Current liabilities at June 30, 2016 show an increase of euro 2.157 million compared to December 31, 2015.

In particular, the following may be observed:

- Trade payables as at June 30, 2016 amounted to euro 120.8 million, almost the same amount as at December 31, 2015;
- the current financial liabilities, primarily related to bank overdraft and short term financing, including bank credit facilities in the form of bill discounting facility undertaken in the ordinary course of business, decreased compared to December 31, 2015 due to a lesser amount of bill discounting facility as at June 30, 2016;

- the increase in other current liabilities is mainly due to tax liabilities (including VAT and other employees tax liabilities and social contributions) and other employees liabilities (such as vacations and bonuses not yet paid).

6. Net financial position

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

Net financial position / (indebtedness)	06/30/2016	12/31/2015	Increase/decrease	
			euro	%
<i>(euro/000)</i>				
Cash and cash equivalents	46,786	40,382	6,404	15.9%
Financial assets	4,461	5,483	(1,022)	(18.6)%
Short-term borrowings	(56,594)	(58,226)	1,632	(2.8)%
Long-term borrowings	(199,783)	(200,626)	843	(0.4)%
Total	(205,131)	(212,988)	7,857	(3.7)%

The net balance is indebtedness of euro 205.131 million, compared to the indebtedness of euro 212.988 million at December 31, 2015.

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

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

The other main component of total financial debt is the revolving credit facility of euro 25.0 million that was fully drawn at the end of June 30, 2016.

In addition, we have financial facilities, mix of amortized and revolving credit lines, euro 10 million of short term borrowings and euro 4.8 million of medium-long term loans, granted to support the Group growth.

The bank credit in the form of a bill discounting facility (around euro 16 million) used in the ordinary course of business shown as of June 30, 2016 is almost in line with the figure at the end of December 2015.

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

ANALYSIS OF CONSOLIDATED INCOME STATEMENT

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

The 2016 revenues to date are euro 245.953 million, compared to euro 222.869 million for the first six months of 2015.

The June 2016 Reported Ebitda is euro 25.834 million, compared to 19.124 million for the six months of 2015.

Reported Ebit is euro 19.310 million, compared to euro 13.705 million for the six months of 2015.

Consolidated income statement (euro/000)	06/30/2016		06/30/2015	
	euro	% of revenue	euro	% of revenue
Net revenues	245,953	100.0%	222,869	100.0%
Gross profit	141,913	57.7%	132,124	59.3%
Ebitda	25,834	10.5%	19,124	8.6%
Operating income - Ebit	19,310	7.9%	13,705	6.1%
Financial income and costs	(9,174)	(3.7)%	(8,137)	(3.7)%
Profit before taxes	10,135	4.1%	5,568	2.5%
Net profit for the period	7,259	3.0%	1,261	0.6%

Economic indicator - adjusted (euro/000)	06/30/2016		06/30/2015	
	euro	% of revenue	euro	% of revenue
Ebitda	27,105	11.0%	26,849	12.0%
Operating income - Ebit	20,580	8.4%	21,430	9.6%

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

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

Excluding the effects of those transactions, the June 2016 Adjusted Ebitda is euro 27.105 million (11.0% of net sales), against the June 2015 Adjusted Ebitda of euro 26.849 million (12.0% of net sales).

7. Net Revenues

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

Net Sales by geographical area (euro/000)	06/30/2016		06/30/2015		Increase (decrease)	
	Turnover	% on total	Turnover	% on total	Turnover	Change
<i>Italy</i>	18,117	7.4%	13,900	6.2%	4,217	30.3%
<i>Rest of Europe</i>	65,945	26.8%	53,178	21.6%	12,767	24.0%
Europe	84,062	34.2%	67,078	30.1%	16,985	25.3%
U.S.A.	94,368	38.4%	94,341	42.3%	28	0.0%
Asia	20,734	8.4%	21,720	9.7%	(986)	(4.5)%
Rest of World	46,789	19.0%	39,731	17.8%	7,058	17.8%
Total	245,953	100.0%	222,869	100.0%	23,085	10.4%

In the first six months of 2016 sales revenues were euro 245.953 million, an increase of euro 23.085 million (10.4%) in comparison to the same period of 2015.

Italy

Revenues in the domestic (Italian) market rose by +30.3% in 2016 compared to the same period of 2015.

Both diffusion brands and luxury brands had double-digit growth, led by Web, Guess and Swarovski for the diffusion brands, and Tom Ford and Dsquared for luxury brands.

Rest of Europe

Revenues from the Rest of Europe market (euro 65.9 million) grew by +24% compared to the same period of 2015.

Luxury brands growth was +26.2% due to Tom Ford strong contribution, while diffusion brands growth was +21.5% mainly driven by Gant and Swarovski.

The prescription frames segment growth was +29.6%, while the sunglasses one increased by +18.2%. In this area, continues the positive performance of the new fully operative JV's (e.g. Nordic), strong growth as well in France and Germany, also thanks to the new structure of the sales force.

North America

In the U.S. market, revenues are flat growth compared to the same period of 2015. Positive performance for luxury brands (+11.8%), while slightly negative for diffusion brand (-0.6%).

Asia

The Asian Far East market shows a decrease in revenues, main drivers are the slowdown in South Korea and China market.

Rest of World

From a geographical standpoint, the "Rest of the World" includes the Middle East, Central and South America, Africa and Oceania.

During first half of 2016 revenues, recorded at euro 46.8 million, rose by +17.8%, or +20.1% at constant exchange rates, compared with the same period of the previous year.

In this area revenues growth was driven by both luxury brands for +21.3% and diffusion brands for +13% .

Good performance in particular for the areas of Mediterranean and Africa.

8. Cost of sales

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

Cost of sales (euro/000)	%on		%on		Increase/decrease	
	06/30/2016	revenues	06/30/2015	revenues	euro	%
Product Cost	95,792	38.9%	79,809	35.8%	15,983	20.0%
Cost of personnel	5,453	2.2%	7,554	3.4%	(2,100)	(27.8)%
Amortization, depreciation and writedowns	1,508	0.6%	1,172	0.5%	336	28.7%
Other costs	1,287	0.5%	2,210	1.0%	(923)	(41.8)%
Total	104,040	42.3%	90,744	40.7%	13,296	14.7%

The cost of sales amounted to euro 104.040 million for the six months ended June 30, 2016, an increase of euro 13.296 million, or 14.7%, from euro 90.744 million for the six months ended June 30, 2015.

The cost of sales as a percentage of revenue is 42.3% for the six months ended June 30, 2016 compared to 40.7% for the six months ended June 30, 2015.

The June 2016 Gross profit is euro 9.788 million higher than previous year, growing from 132.124 million (or 59.3%) up to euro 141.913 million (or 57.7%) in 2016.

Gross profit percentage is mainly driven by a different sales mix both in distribution channel and destination market compared to the six months ended June 30, 2015.

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

9. Distribution and marketing expenses

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

Distribution and marketing expenses (euro/000)	%on		%on		Increase/decrease	
	06/30/2016	revenues	06/30/2015	revenues	euro	%
Cost of personnel	25,394	10.3%	26,063	11.7%	(670)	(2.6)%
Commissions	14,230	5.8%	14,916	6.7%	(686)	(4.6)%
Amortization	3,412	1.4%	2,501	1.1%	911	36.4%
Royalties	30,114	12.2%	28,060	12.6%	2,054	7.3%
Advertising and PR	18,146	7.4%	16,925	7.6%	1,220	7.2%
Other costs	15,857	6.4%	14,605	6.6%	1,251	8.6%
Total	107,152	43.6%	103,071	46.2%	4,081	4.0%

The distribution and marketing expenses amounted to euro 107.152 million for the six months ended June 30, 2016, a decrease of euro 4.081 million or 4.0% from euro 103.071 million for the six months ended June 30, 2015.

In 2016 Royalties amounted to euro 30.114 million, an increase of 7.3%, from the euro 28.060 million for the six months ended June 30, 2015. In 2016 Royalties as a percentage of revenue is 12.2%, compared to 12.6% of 2015 thanks to reduction of minimum guaranteed royalties.

Advertising and PR in 2016 amounted to euro 18.146 million, an increase of euro 1.220 million, or 7.2%, from the euro 16.925 million in the same period of 2015. As a percentage of revenue, Advertising and PR expenses in 2016 is 7.4%, compared to 7.6% of 2015.

The "other costs" refer principally to freight expenses, business travel, rent and services. In 2016, other costs amounted to euro 15.857 million, an increase of euro 1.251 million or 8.6%, from the euro 14.605 million for the six months ended June 30, 2015 related to revenue growth. As a percentage of revenue they are 6.4% , compared to 6.6% for the six months ended June 30, 2015.

10. General and administrative expenses

The general and administrative expenses are set forth below:

General and administrative expenses (euro/000)	% on		% on		Increase/decrease	
	06/30/2016	revenues	06/30/2015	revenues	euro	%
Cost of personnel	7,025	2.9%	7,607	3.4%	(582)	(7.7)%
Writedowns of receivables	281	0.1%	404	0.2%	(123)	(30.4)%
Amortization and writedowns	1,323	0.5%	1,342	0.6%	(19)	(1.4)%
Other costs	7,467	3.0%	8,112	3.6%	(645)	(8.0)%
Total	16,096	6.5%	17,465	7.8%	(1,369)	(7.8)%

General and administrative expenses amounted to euro 16.096 million for the six months ended June 30, 2016, with a decrease of euro 1.369 million (or 7.8%), from the euro 17.465 million for the same period of 2015. As a percentage of revenue, in 2016 general and administrative expenses is 6.5%, compared to 7.8% for 2015.

The decrease in 2016 is mainly driven by synergies and successful actions to improve efficiency and cost control. Also 2016 benefits from lower one-offs compared to 2015 (respectively euro 0.3 million and euro 1.9 million). As a percentage of revenues, excluding such one-offs, general and administrative expenses is respectively euro 15.772 million (or 6.4% of revenues) in 2016 compared to euro 15.563 million (or 7.0% of revenues) in 2015.

11. Other operating income and expenses

Other operating income and expenses refers mainly in other recharges, the result of equity method consolidation of participations and other residual revenues and expenses. They totally resulted in net income of euro 0.644 million for the six months ended June 30, 2016, compared to the net operating income of euro 2.116 million for the six months ended June 30, 2015.

As a percentage of revenue, in 2016 other operating income and expenses is 0.2%, compared to 0.9% for 2015.

12. Financial income and costs

Net finance costs amounted to euro 9.174 million for the six months ended June 30, 2016, compared to a net finance costs of euro 8.137 million for the six months ended June 30, 2015.

Both in 2016 and in 2015 this item includes primarily interest on the bond notes issued by Marcolin S.p.A. for euro 8.5 million, bank interest expense and other financial costs and discounts incurred by Marcolin and its subsidiaries, in addition to translation differences.

The change in respect to previous year is mostly due to an higher financial interest, however the overall incidence is in line with last year.

13. Income tax expense

The estimated income tax expense amounted to euro 2.876 million for the six months ended June 30, 2016, a decrease of euro 1.431 million, compared to the euro 4.308 million for six months ended June 30, 2015.

Income tax expense as a percentage of revenue is 1.2% for the six months ended June 30, 2016, compared to 1.9% for the six months ended June 30, 2015.

Current and deferred income tax are calculated by applying the tax rates on reasonably estimated taxable income, determined in accordance with the tax regulations in force.

Most of the income tax expense will not be a cash-out figure since the Group will use previous tax losses carried forward.

OTHER INFORMATIONS

SUBSEQUENT EVENTS

There were no significant subsequent events and/or transactions.

DISCLOSURE OF ATYPICAL, UNUSUAL AND RELATED-PARTY TRANSACTIONS

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

Significant non-recurring events and transactions

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

Atypical and unusual transactions

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

Transactions with related parties

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

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

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

Company <i>(euro/000)</i>	Expenses	Revenues	Payables	Receivables	Type
Other related parties					
Tod's S.p.A.	752	279	750	85	Related party
Pai Partners Sas	25	2	101	-	Related party
Coffen Marcolin Family	338	0	40	-	Related party
O.T.B. Group	1,826	25	1,576	21	Related party
3 Cime S.p.A.	-	-	-	1,994	Consolidating
Total	2,941	305	2,467	2,100	

Longarone; August 30, 2016

For the Board of Directors

C.E.O.

Giovanni Zoppas

MARCOLIN
EYEWEAR

