MARCOLIN BOND REPORT

AS OF AND FOR THE YEAR ENDED

DECEMBER 31, 2015

DISCLAIMER

The following information is confidential and does not constitute an offer to sell or a solicitation of an offer to buy any securities of Marcolin S.p.A. or any of its subsidiaries or affiliates.

Statements on the following pages which are not historical facts are forward-looking statements. All forward-looking statements involve risks and uncertainties which could affect Marcolin's actual results and could cause its actual results to differ materially from those expressed in any forward-looking statements produced by, or on behalf of, Marcolin.

The financial information contained herein has not been subject to audit procedures, and has been derived from the management accounts, which could differ in some instances from the statutory financial statements.

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I. OVERVIEW

Marcolin is a leading global designer, manufacturer and distributor of branded sunglasses and prescription frames. We believe we are the world's third largest eyewear wholesale player by revenue, with a broad portfolio of 23 licensed brands that appeal to key demographics across five continents. We manage primarily a licensed brand business, and we design, manufacture (or contract to manufacture) and distribute eyewear primarily bearing the brand names we have obtained pursuant to long-term, exclusive license agreements. We focus on high-performing brands with eyewear lines that enjoy international awareness.
The Marcolin portfolio includes iconic labels such as Tom Ford, Roberto Cavalli, Tod's, Montblanc, Zegna, Pucci, Moncler, Swarovski, Guess, Diesel, Timberland, Gant and Harley-Davidson. The long tenure of licenses provides Marcolin with strong revenue visibility. The Group is now present in all leading countries throughout the world through its affiliates, partners and exclusive distributors.

In December 2013, Marcolin bought the Viva International group (hereafter also "Viva") by acquiring a 100% stake in Viva Optique, Inc. (New Jersey).
Viva was a leading eyewear wholesale designer and distributor of premium eyewear. Viva's net sales were concentrated mainly in the mainstream ("diffusion") category, with a strong position in prescription frames.

Consistent with the growth strategy being pursued by Marcolin, the Viva acquisition has developed the Group into a true global player by expanding its scale, geographical presence, brand portfolio and product range.

The Viva Group has added to the diffusion portfolio the brands Guess, Guess by Marciano, Gant, Harley Davidson, and other brands targeted specifically to the U.S. market.
The diversity of the brands managed, the completion of the diffusion product range and the balance achieved between men's and women's products, and also between eyeglasses and sunglasses, are among the strategic factors behind this important acquisition.
Moreover, Viva's strong presence in the overseas market has enabled Marcolin, which had been concentrated in Europe, to become stronger in the United States by covering one third of the independent opticians, while continuing to focus on the Far East and Europe.

The 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, 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.

Today Marcolin markets its products in over 100 countries with a wide distribution network across five continents.

The complementary distinctive characteristics and specific expertise of the Marcolin Group and the Viva Group have given rise to a globally competitive eyewear company, to which Marcolin brings its know-how and background, enabling it to offer significant added value to the market in terms of both product range and global distribution.

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

Pursuant to the Viva integration, important cost synergies of approximately €10.0 million will be attained, exceeding the initially planned €8.5m. We adopted a prudent approach in order to not underestimate the lack of synergies on the increased volumes of the post-integration business in certain areas (i.e. Italy).

The main differences between the current estimate and the initial estimate for run-rate synergies are:

U.S.:

- Higher savings related to the New Jersey and Arizona personnel reorganization (executives and sales force)
- Higher savings due to joint participation in fairs and exhibitions

U.K.:

- Higher savings related to the sales force reorganization
- Higher savings achieved on the closure of the Harrogate location
- Higher savings related to the personnel reorganization

All synergies are calculated assuming 2013 as the reference year; the run rate considers the 12-month effect of the savings. Part of the €10.0 million run-rate synergies was realized in 2014 for €3.6 million, and at December of 2015 for €6.4 million, totaling €10.0 million.

Synergies realized at year ended December 31, 2015 are shown below by country (€ thousands):

	Full-year 2015
US	6,571
UK	2,032
France	865
Brazil	383
Hong Kong	191
Total	**10,043**

In order to obtain the extra synergies, Marcolin incurred extra one-offs costs, including capital expenditures, related to:

- Higher severance costs for personnel reorganization (partially due to the higher number of redundancies vs. what was originally planned);
- Higher consultancy fees (SAP roll-out, integration support, tax and legal assistance, etc.);
- Higher costs/capex for setting up the new facilities to improve performance and optimize the supply chain.

The non-recurring costs (one-off costs) related to the Viva integration project impacted the 2015 P&L by €7.1 million. Those costs consist of:

- France: severance costs paid for dismissed employees, in addition to costs due for the change in status of the Sales Reps from “VRP” to “Attaché Commercial”. The negotiations eliminated a potential future liability because by law “VRP” Reps are entitled to sizeable indemnities in the event of contract termination;
- U.S.: consulting fees and other costs related to closing the Arizona plant and moving the logistic activities to New Jersey, in addition to the severance costs paid to discontinued employees.
- Canada: costs related to closing the Canadian plant and moving the logistic activities to New Jersey, in addition to severance costs paid to discontinued employees.

In order to minimize disruptions that could affect the U.S. business, and consistently with management’s policy of prudence, the Arizona plant continued operating until April.

Consequently, the plan to streamline the logistics structures in North America, reducing the number of operating plants, was implemented between end of March and beginning of April.

The plan to aggregate the two plants had envisioned a concentration of the integration activities until the end of April in order to resume operations as soon as possible, in order to have a minimal impact of such activities on the business.

Due to the scale and complexity of the process, few disruptions occurred in product distribution that caused delivery certain delays in April and May.

At the end of June, activities were underway to fully integrate the two plants, and the objective of restoring all operations and logistic performance levels according to the targets and schedule set in the plan has been reached.

Since September 2015 the performance is in line with the pre-integration levels, and the activities to eliminate the backlog originating during the integration period have been concluded.

In order to better understand the business performance and provide future comparability, the costs of the discontinued Arizona operation (mainly ordinary personnel costs and other operating expenses), the closing down of the Canadian plant and Harrogate offices in the UK have been restated ("pro-forma" EBITDA means excluding these ordinary costs of discontinued operations). At year ended December 31, 2015 costs of the discontinued operations were €2.8 million.

The Viva integration process was complete at December 31, 2015, as summarized below:

Synergies from Shared Services:
Efficiencies were generated through the elimination of overlaps between foreign subsidiaries, savings in property executive management and back-office personnel, consolidation of corporate functions, and shared usage of operational, office, and distribution networks:

- sales force integration fully executed for U.S., U.K., France, Brazil and Hong Kong in 2014;
- restructuring of corporate and back-office functions completed between 2014 and beginning of 2015, fully in line with the integration plan with respect to the reorganization of the foreign operations in the U.K, France, Brazil, Hong Kong and U.S.;
- the focus in 2015 has been on the remaining U.S. integration (the AZ warehouse services and utilities were closed down in April). The plan to streamline the logistics structures in North America by reducing the number of plants currently operating there has been implemented. Since the Scottsdale, Arizona location was closed down, the U.S. market has been served by the establishment in Somerville, New Jersey. Starting form 1° December 2015, after the completion of Viva Canada integration, the Canadian market is served directly by Somerville plant.

Operational Synergies:
Efficiencies through the consolidation of warehouse facilities, IT systems and procurement department savings:

- warehouse and logistics consolidation: in 2014 the UK and HK Distribution Centers have been fully integrated into Marcolin's system;
- the France warehouse is no longer operational (the final closing activities are underway) and sales have been conducted directly from Italy since the end of 2014;
- the Brazil logistics operation was integrated into the Alphaville warehouse at the beginning of 2015;
- in 2015 the two US facilities were consolidated into one in NJ by shutting down the warehouse in AZ, as explained above. Within the scope of the reorganization process, in early 2015 the business division dealing with the distribution of Marcolin products in South America (excluding Brazil) was temporarily transferred from the former Marcolin USA, Inc. (now Marcolin USA Eyewear, Corp.) to Marcolin S.p.A.;
- IT: SAP rollout successfully achieved: all the countries are fully integrated into the Marcolin IT Platform, and VIVA US went live on October 1, 2014; the US IT services merged in NJ on April 2, 2015; an updated sales force mobile App was released to support the sales in all countries affected by the integration;
- the Canadian logistics operation was integrated into the Somerville (U.S.) warehouse at the beginning of December 2015.

Synergies from eliminated redundancies at a Corporate and Executive level:
The integration process has been achieved fully in line with the defined plans. The main efforts of 2014 were spent on the U.S., Europe (especially the U.K.) and Hong Kong, whereas France, Brazil and the AZ merger for US integration have been the focus of 2015.
The analysis of redundancies and implementation in U.S., U.K., France, Brazil and Hong Kong was completed between second half of 2014 and early 2015:

- within the scope of the Viva U.K. integration, the International Distribution business unit was transferred to the parent company Marcolin Spa, and the Domestic Distribution business unit was transferred to Marcolin U.K. These operations were successfully completed during September 2014;

- in July 2014 a new branch was set up in Hong Kong to serve the entire client base of VIVA and Marcolin in the Asia-Pacific region (APAC), for Marcolin and for Viva products, and to manage the sourcing operations out of China;

- on January 1, 2015 the corporate restructuring process was in effect by way of the dissolution and absorption of American companies Marcolin USA, Inc., Viva Europa, Inc., Viva International, Inc. and Viva IP, Corp. into Viva Optique, Inc. Viva Optique's name was changed to Marcolin USA Eyewear, Corp;

- the integration of Viva Canada began in July 2015 through organizational and corporate rationalizations was completed before the year end;

- concerning the French market, on October 31, 2014 Marcolin France Sas acquired Viva France Sas and subsequently merged Viva into Marcolin France (effective on January 1, 2015);

- a similar transaction took place in Brazil, where two identical sales organizations co-existed, at the end of December 2014 Marcolin do Brasil acquired all Viva Brasil shares and then, by January 1, 2015, Viva was merged into Marcolin do Brasil.

At the conclusion of the Viva integration project, the transfer completed the redistribution of international markets in accordance with the Group's plans for the geographical hubs and a new sales organization.

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II. PRESENTATION OF FINANCIAL INFORMATION

Marcolin was acquired by Cristallo on December 5th, 2012, and in October 2013 Cristallo underwent a reverse merger with and into Marcolin, within the scope of a corporate reorganization of the Group's holding structure. In December 2013, Marcolin acquired Viva Optique, Inc.

This document focuses on the consolidated results for the Marcolin Group and presents the following financial information:

III. Summary financial information as of and for the year ended December 31, 2015;

IV. Management's discussion and analysis of the financial condition and results of operations as of and for the year ended December 31, 2015;

The consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of the Group as of and for the year ended December 31, 2015 are derived from the consolidated financial statements of the Marcolin Group as of and for the year ended December 31, 2015, according to the financial statement approved by the Board[1].

Non-IFRS and Non-U.S. GAAP Measures

The summary financial information set forth below contains certain non-IFRS and non-U.S. GAAP financial measures including "Pro-Forma Combined Adjusted Run-Rate EBITDA," "EBITDA," "EBITDA margin," "Adjusted EBITDA," "Pro-forma EBITDA", "Adjusted EBITDA margin," "Total debt", "Net debt," "Capital expenditures" and "Movements in working capital."

The non-IFRS and non-U.S. GAAP financial measures are not measurements of performance or liquidity under IFRS or U.S. GAAP.

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1 The approval of the financial statement by the shareholder is expected within the end of April 2016.

III. SUMMARY CONSOLIDATED INFORMATION

1. Summary Financial Information

	Year ended December 31	
	2014	2015
	(As reported)	*(As reported)*
EBITDA	29,384	39,730
Adjusted EBITDA	43,831	50,201
Adjusted EBITDA margin[(a)]	12.1%	11.5%
Capital expenditures[(b)]	12,454	23,180
Net indebtedness[(c)]	196,074	212,988
Movements in working capital[(d)]	(3,809)	(8,624)

(a) We define the adjusted EBITDA margin as adjusted EBITDA divided by revenue.

(b) Capital expenditure consists of investments for the period in property, plant and equipment and intangible assets, as presented in the cash flow statement (see “13. Cash Flow Statement”). The table shown in “5. Other Financial Information” sets forth a breakdown of capital expenditure for the periods indicated.

(c) We define net debt as the total consolidated debt net of cash and cash equivalents. The table above sets forth the calculation of net debt for the periods indicated.

(d) We define movements in working capital as the movements in trade and other receivables, inventories, trade payables, other liabilities, tax liabilities and use of provisions.

2. Summary Consolidated Income Statement Information

	Year ended December 31	
	2014	2015
	(As reported)	*(As reported)*
Revenue	362,133	434,842
Cost of sales	(145,360)	(178,981)
Gross profit	**216,773**	**255,861**
Selling and marketing costs	(169,250)	(199,598)
General and administrative expenses	(31,711)	(32,013)
Other operating income and expenses	4,120	3,617
Effects of accounting for associates	-	250
Operating profit	**19,932**	**28,117**
Net finance costs	(12,830)	(20,548)
Profit before taxes	**7,102**	**7,569**
Income tax expense	(6,695)	(10,082)
Net profit for the period	**407**	**(2,513)**

Within the same consolidation perimeter, net sales are up by 20.1% from 2014. The increase in the revenues at previous year exchange rates is 11.0%.

Reported operating profit was affected by a number of extraordinary items both for the twelve-month period ended December 31, 2014 and for the twelve-month period ended December 31, 2015.

Excluding the effects of the transactions described above, the 2015 normalized ("adjusted") Ebitda is euro 50.2 million (11.5% of sales), against the 2014 adjusted EBITDA amount of euro 43.8 million (12.1% of sales).

The normalized (adjusted) key performance indicator, filtered of the effects of the non-recurring costs, are described in the following (please see “Adjusted EBITDA” in paragraph 5 for further details on such items).

3. Summary Consolidated Balance Sheet

	As of December 31,	As of December 31,
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Property, plant and equipment	24,657	27,258
Intangible assets	37,213	43,308
Goodwill [(a)]	278,010	288,225
Inventories	100,075	120,214
Trade receivables	80,576	85,115
Cash and cash equivalents	36,933	40,382
Other current and non-current assets	62,854	62,741
Total assets	**620,318**	**667,244**
Long-term borrowings	199,152	200,626
Short-term borrowings	41,353	58,226
Trade payables	102,322	120,787
Other long-term and short-term liabilities	54,678	57,682
Total liabilities	**397,505**	**437,321**
Total equity	**222,813**	**229,923**
Total liabilities and equity	**620,318**	**667,244**

(a) Goodwill is affected by translation differences regarding the U.S. dollar (goodwill related to Viva acquisition).

4. Summary Consolidated Cash Flow Statement Information

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Net cash from operating activities	(14,431)	30,605
Net cash (used in) investing activities	(12,454)	(23,180)
Net cash from/(used in) financing activities[(a)]	26,130	(578)
Effect of foreign exchange rates and other non-cash items	(847)	(3,398)
Net increase/(decrease) of cash and cash equivalents	**(1,602)**	**3,449**

(a) The interest paid has been included in "financing activities" for both periods.

5. Other Financial Information

We define EBITDA as profit for the period plus income tax expense, net finance costs, amortization and depreciation and bad debt provision. EBITDA is a Non-GAAP Financial Measure. The following table sets forth the calculation of EBITDA for the periods indicated.

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Net profit for the period	**407**	**(2,513)**
Income tax expense	6,695	10,082
Net finance costs	12,830	20,548
Amortization and depreciation	8,958	10,954
Bad debt provision	494	660
EBITDA	**29,384**	**39,730**

The following table sets forth the calculation of Pro-Forma EBITDA and Adjusted EBITDA for the periods indicated.
"Pro-Forma EBITDA" is the normalized (restated) EBITDA excluding the ordinary costs of the discontinued operations regarding Arizona plant closed down, as explained in I. Overview Section.
"Adjusted EBITDA" is EBITDA adjusted for the effect of non-recurring transactions which consist primarily of one-off charges, non-recurring costs in relation to Viva integration project and other extraordinary items related to changes in management.

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
EBITDA	**29,384**	**39,730**
Ordinary costs of discontinued operations[(a)]	-	2,752
Pro-Forma EBITDA	**29,384**	**42,483**
Costs related to VIVA integration[(b)]	9,383	7,127
Senior management changes[(c)]	2,023	592
Other[(d)]	3,041	-
Adjusted EBITDA	**43,831**	**50,201**

(a) The *Ordinary costs of the discontinued operation* refer mainly to ordinary personnel costs and other operating expenses of the discontinued closed down plant of Arizona, the Canadian plant and Harrogate offices in the UK, as explained in I. Overview Section.

(b) *Costs related to Viva integration project* were incurred for the integration process of Viva as described in I. Overview. In particular they refer to France (severance costs paid for dismissed employees, in addition to costs due for the change in status of the Sales Reps from "VRP" to "Attaché Commercial"), U.S. (costs related to the closure of the Arizona plant and the moving of the logistic activities to New Jersey, in addition to severance costs paid to the discontinued Arizona employees) and Canadian (costs related to closing the plant and moving the logistic activities to New Jersey, in addition to severance costs paid to discontinued employees).

(c) *Senior management changes* relate to non-recurring employment termination expenses incurred in connection with the change in top management.

(d) *At year ended 2014 Other was* related to non-recurring expenses incurred in the development of certain licenses and new business.

Capital expenditure

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Property, plant and equipment [(a)]	5,101	7,085
Intangible assets[(b)]	7,353	16,095
Total capital expenditure	**12,454**	**23,180**

(a) Investment of €7.1 million in Property, plant and equipment mainly related to new asset purchase, specifically €2.9 million in lands and buildings to purchase the manufacturing plant in Fortogna; €2.8 million in industrial and commercial equipment; €1.1 million in hardware and office fixture and €0.3 million in other tangible assets.

(b) Investment of €16.1 million in intangible assets mainly related to the lump sum agreed by the Parent Company for some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, intangible assets under formation include the U.S. Subsidiary and Parent Company's software and business application implementation totaling €3.6 million.

Net Indebtedness

	As of December 31, 2014	**As of December 31, 2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Cash and cash equivalents	(36,933)	(40,382)
Financial receivables	(7,497)	(5,483)
Long-term borrowings	199,152	200,626
Short-term borrowings	41,353	58,226
Net indebtedness	**196,074**	**212,988**

Movements in working capital

	Year ended December 31	
	2014	2015
	(As reported)	*(As reported)*
	(In € thousands)	
(Increase)/decrease in trade receivables	(8,557)	(7,068)
(Increase)/decrease in other receivables	438	(4,894)
(Increase)/decrease in inventories	(29,404)	(19,115)
Increase/(decrease) in trade payables	33,221	24,063
Increase/(decrease) in other liabilities	3,107	5,016
Increase/(decrease) in current tax liabilities	(151)	(3,741)
(Use) of provision	(2,463)	(2,884)
Movements in working capital	**(3,809)**	**(8,624)**

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IV. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations in the periods set forth below.

The following discussion should also be read in conjunction with "Presentation of Financial Information" and "Summary Consolidated Information." The discussion in this section may contain forward looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties.

Unless the context indicates otherwise, in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" references to "we," "us," "our," or the "Marcolin Group" refer to Marcolin, including Viva and the consolidated group.

Key Factors Affecting Our Financial Condition and Results of Operations

1. General economic conditions and consumer discretionary spending

Our performance is affected by the economic conditions of the markets in which we operate and trends in consumer discretionary spending.

The changing global scenario imposes new competitive rules for all businesses. In this fast-paced economy the product itself is of central importance, with innovation, quality, originality and added value making all the difference.
The key to recovery is an emphasis on such characteristics, particularly specialization, penetration of high added-value niche markets, certified quality, and Italian manufacturing, which is increasingly appreciated throughout the world.
In this respect, there are consistent signs of "reshoring" in the eyewear sector, i.e. manufacturing activities are being brought back to Italy.

Growth continued to take place in an industry that exports 80% of its total production: exports of sunglasses and prescription frames are up by 14.9% from year ended December 31, 2014. This is a remarkable result, especially considering the record highs for Italian eyewear exports in 2014.
The positive trend of exports is attributable to growth in both industry segments (frames and sunglasses).
America, Asia and Europe had the strongest results in the period. Exports of Italian eyewear to emerging markets, both the established ones for the industry and newly penetrated ones, performed well. This outcome was in line with the trend present at the end of 2014.
Finally the domestic market indicated some recovery during 2015, with slightly higher amounts and volumes, especially in the sunglass segment, which had suffered the most.
The data of year 2015 is finally certainly positive and encouraging, even if year 2016 started with a global trade slowdown and a downward revision of the growth rates of major countries, including China. However, the Italian eyewear industry has always been able to grasp changes and seize opportunities, making exports and internationalization the key to its success, which has brought it to become the undisputed global leader.
(*source: ANFAO*)

In keeping with the above-described scenario, the annual results of 2015 indicate a positive trend for the Marcolin Group, which continues to pursue its growth targets; in particular the revenue for the twelve months ended December 31, 2015 has grown by about 20.1% compared to that of the same period of 2014, overstepping the trend shown in the industry.

2. Licensing agreements

Licenses – key facts for the year ended December 31, 2015

In the twelve months ended December 31, 2015, the Marcolin Group continued with its efforts to rationalize and optimize the brands and collections offered to its clients, a process that was launched at the end of 2013, developed in 2014 and is being stepped up by the Group in 2015. This process has included in 2014 mainly the following activities:

- an important strategic alliance was created with the stipulation of licenses for the prestigious eyewear brands Ermenegildo Zegna and Agnona. The Ermenegildo Zegna and Zegna Couture collections have been launched in January 2015;
- at the end of April 2014 Marcolin exercised its option to renew the Tom Ford license, extending the license period*;*
- on June 9, 2014, Marcolin Group and Emilio Pucci announced the stipulation of a worldwide exclusive license agreement for the design, production and distribution of sunglasses and eyeglasses for the Emilio Pucci brand. The five-year, renewable license has become effective in January 2015;
- on October 8, 2014, the license agreement with one of our licensor was renegotiated, resulting in strongly improved terms and conditions for the Group. The negotiation recently finalized can be summarized as lower minimum royalties and advertising royalties over the course of the life of the License in exchange of one-off cash disbursement.

  Licensing events occurred in the twelve months ended December 31, 2015 are:

- on February 18, 2015, Marcolin Group and Timberland announced the early renewal of their licensing agreement ending December 2018 for the design, production and distribution of eyewear collections of sunglasses and optical frames;
- on April 30, 2015, Marcolin U.S.A. Eyewear Corp. and Iconix executed amendments to renew the Candie's license for five years through 2020 and the Bongo and Rampage license for two years through 2017. Key business terms were re-negotiated to significantly reduce minimum guaranteed royalties for Candie's and to eliminate all minimum guaranteed royalties for Bongo and Rampage;
- on June 11, 2015, Marcolin has signed an agreement with Tom Ford International regarding the extension of the licensing contract for the design, production and worldwide distribution of Tom Ford Eyewear sunglasses and optical frames until 2029, extending the license period of further seven years;
- on September 22, 2015, Marcolin Group and Moncler announced the stipulation of a worldwide exclusive license agreement for the design, production and distribution of men's and women's sunglasses and eyeglasses, as well ski masks for men, women and children, with the Moncler brand. The five-year, renewable license will become effective in January 2016;
- on October 13, 2015, Marcolin Group and Montblanc announced the early renewal of an exclusive license agreement for the design, manufacture and worldwide distribution of Montblanc sunglasses and prescription eyewear.
- on December 15, 2015 Marcolin Group and Kenneth Cole Productions, Inc. announced the early renewal of its licensing agreement for the design, manufacture and worldwide distribution of Kenneth Cole New York and Kenneth Cole Reaction sun and optical eyewear. The partnership will be extended until December 2021.

3. Commercial and Distribution

Important investments have been carried out in 2014 and 2015 aimed to strengthen relationships with the distribution network, with the objective of greater penetration into the markets sustaining the Group's growth.
In addition, within the scope of the Viva integration plan, the distribution networks and international sales organizations have been rationalized.

The new company structure set up in Hong Kong in July 2014, with the objective of combining the distribution of Marcolin and Viva products through a new organization operating directly in the Far East, became fully operational in 2015. After absorbing the business division relating to Viva products in 2014, in 2015 the Hong Kong branch's mission will include the distribution of Marcolin products in the same areas of the Far East, with clear advantages in terms of economies of scale and cost and top-line synergies.
The Hong Kong branch sources directly from Chinese suppliers thanks to the size and scale achieved, driving cost efficiencies, operating leverage and turnover growth.
The transactions made it possible to create the Group's third sales strategic plant, due to the critical mass represented by the sales of Marcolin and Viva brands, enabling to invest in structures and means to better penetrate markets cost-effectively as a result of the streamlining and synergies realizable from the new size.

Currently the Group's business operations are organized into three geographical plants:

- the U.S. plant, directed by Marcolin USA Eyewear, Corp. (sole legal entity, which will focus on distribution in the North, Central and south American markets);
- the European plant, directed by Marcolin S.p.A., which will address the European subsidiaries and its complementary and neighboring countries (in terms of both geography and business, such as the Middle East), including through direct affiliates and all joint ventures;
- the Asian plant, where company have been set up to manage the Far East markets, distant and difficult to develop. Indeed, only by operating there directly may such markets be developed (in fact, the business divisions dealing with the distribution of Viva products in the Far East, and then the division dealing with Marcolin product distribution division in Asia Pacific were transferred to the Marcolin UK Ltd Hong Kong branch).

The reorganization entailed overhauling the logistical flows on an international scale through the establishment of the three main hubs (for distribution management) in order to render the integrated logistics more agile and efficient, thereby reducing costs, shortening the distance to the end customer, and consequently improving the effectiveness of response to the market.

The organizational structure of the marketing, sales and demand planning area was overhauled in the second part of 2015, thanks to a reinforced organization and new arrangements that enable the company to have more efficient decision-making and more direct control on the market.

The important strategic investments made include joint ventures:

China
In order to manage distribution directly in mainland China, at the end of 2014 a joint venture was set up with the Gin Hong Yu International Co. Ltd group (Ginko Group), a well-known and respected business operating in the Chinese eyewear market.
Distribution operations are managed by Ginlin Optical Shanghai Ltd Co., based in Shanghai, a subsidiary controlled indirectly (through Ging Hong Lin International Co. Ltd), by way of joint ownership by Marcolin S.p.A. and the Ginko group.

Russia
Still regarding the Group's international development, a joint venture was set up with Sover-M, a well-established, prestigious company operating in the eyewear business in Russia, for the distribution of all Marcolin and Viva products.
The Italian Parent Company controls 51% of Sover-M. Sover-M's shares were acquired in December 2014. Although geopolitical tensions continue to hamper this developing market, the joint venture began operating as planned and according to expectations. On July 10, 2015 the Joint Venture name has been changed in Marcolin-RUS LLC.

Nordic
In Europe, an affiliate was started up in Frösundaviks (Stockholm), Sweden. Marcolin Nordic began operating at the end of February 2015, and its mission is to manage the Nordic market (Denmark, Finland, Norway, Iceland and Sweden) closely and effectively in order to distribute there all brands in the Marcolin/Viva portfolio.

The joint ventures in 2015 has led to more than double the revenues from China, Russia and Nordic markets confirming the successfulness of this strategic decision.

5. Production

After the purchase of the Fortogna building in January 2015, Marcolin has doubled its Italian manufacturing operation with a new 3,500 square meter factory in Longarone (Fortogna locality), in the heart of the eyewear district, close to its historic headquarters, also benefitting employment levels by dedicating important resources to production.
The production layout of the Longarone plant (currently housing the acetate production, which will be transferred to Fortogna) has been changed by overhauling the Metal, Product Development and Prototype divisions, with an investment of €4.5 million (partly for the purchase of the Fortogna factory, and the rest to transfer and outfit the new acetate division in Fortogna, renew the floor space that will be made available in Longarone, and purchase plant and machinery to expand production capacity).
Reasons for which the consolidation and development of its production capacity in Italy are important to Marcolin include:

- reduced dependence on external suppliers, which will enable to shorten the manufacturing lead time, and thus increase the ability to seize market opportunities (and improve the time to market);
- made in/made out realignment according to the eyewear industry standards (and those of the main competitors);
- 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.

With respect to the stated forecasts and at a record time, Marcolin’s new acetate division in Fortogna started production on May 20, 2015, ensuring the production expansion necessary to meet the demands arising from both the new brands added to the brand portfolio and the structural expansion of some markets.
Consistently with the Company's medium/long-term growth plans, the operation aims to create value by maximizing the opportunities offered by the development of the high-end collections that have always represented Marcolin's design concept.
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 during 2015 as well.

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Group Comparison of twelve months ended December 31, 2014 against twelve months ended December 31, 2015

1. Presentation of Financial Information

The consolidated income statement, consolidated statement of financial position, consolidated cash flow statement and other financial information of the Group as of and for the year ended December 31, 2015 are derived from the consolidated financial statements of the Marcolin Group as of and for the year ended December 31, 2015, according to the financial statement approved by the Board[2].

	Year ended December 31			
	2014 *(As Reported)*	% of revenue	2015 *(As Reported)*	% of revenue
	(In € thousands, except percentages)			
Revenue	362,133	100.0%	434,842	100.0%
Cost of sales	(145,360)	-40.1%	(178,981)	-41.2%
Gross profit	**216,773**	**59.9%**	**255,861**	**58.8%**
Selling and marketing costs	(169,250)	-46.7%	(199,598)	-45.9%
General and administrative expenses	(31,711)	-8.8%	(32,013)	-7.4%
Other operating income and expenses	4,120	1.1%	3,617	0.8%
Effects of accounting for associates	-	0.0%	250	0.1%
Operating profit	**19,932**	**5.5%**	**28,117**	**6.5%**
Net finance costs	(12,830)	-3.5%	(20,548)	-4.7%
Profit before taxes	**7,102**	**2.0%**	**7,569**	**1.7%**
Income tax expense	(6,695)	-1.8%	(10,082)	-2.3%
Net profit for the period	**407**	**0.1%**	**(2,513)**	**-0.6%**

2. Revenue by Brand Type and by Product Type

The following tables set forth an analysis of our revenues by product type and brand type for the periods indicated[3].

	Year ended December 31					
	2014 *(As Reported)*	% of total	2015 *(As Reported)*	% of total	Change	
Revenue by brand type		(In € thousands)			amount	%
Luxury brands	159,053	43.9%	204,254	47.0%	45,201	*28.4%*
Diffusion brands	203,080	56.1%	230,588	53.0%	27,508	*13.5%*
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,709**	**20.1%**

	Year ended December 31					
	2014 *(As Reported)*	% of total	2015 *(As Reported)*	% of total	Change	
Revenue by product type		(In € thousands)			amount	%
Sunglasses	177,466	49.0%	215,088	49.5%	37,622	*21.2%*
Prescription frames	184,667	51.0%	219,754	50.5%	35,087	*19.0%*
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,709**	**20.1%**

Revenue amounted to €434.8 million for the year ended December 31, 2015, an increase of €72.7 million, or 21.1%, from the €362.1 million for the year ended December 31, 2014.
At previous period exchange rates, the revenue for the twelve months ended December 31, 2015 was €401.9 million, up by €39.8 million, or 11%, from the same period of the previous year.

2 The approval of the financial statement by the shareholder is expected within the end of April 2016.

3 Due to the need to present homogeneous data for the two years, the 2014 figures have been restated in order to have a "like-for-like" perimeter. Consequently, the 2014 figures below have been reclassified with respect to the breakdown by country in order to have comparable data.

We calculate the 2015 net sales at constant exchange rates by applying the prior-year monthly average exchange rates (of the US$ and the other currencies relevant for the Group against the €) to the current financial data expressed in the original currency, in order to eliminate the impact of currency fluctuations.
Overall, approximately 14.0 million frames were sold in the twelve months of 2015, up by 1.2% compared to the twelve months of 2014.

Brand Type
Diffusion brand revenue increased by 13.5% for the twelve months of 2015 compared to the same period of the previous year, while the luxury brand revenue grew 28.4%. At constant exchange rates, diffusion brand sales are 2.7% higher than those of the same period of 2014, while the luxury brand sales increased by a significant 21.5%. Therefore, the revenue increase derived mainly from luxury brands, specifically the most important brands: Tom Ford +28.7%, Montblanc +11.9%, Balenciaga +30.5% and the newly acquired Zegna.
Regarding diffusion brand revenues, Guess, Timberland, Swarovski and Gant together collected 91% of the total growth of the segment.

Product Type
The revenue increase for sunglasses was 21.2% and that of prescription frames was 19.0%, both increases being driven by luxury brands.
At constant exchange rates, revenues from prescription frames grew 9.5% compared to those of the same period of 2014, while revenues of sunglasses are up by 12.8%.

3. Revenues by destination market

The table below sets forth Marcolin's revenue by destination market. This is relevant from a commercial standpoint, showing the geographic concentration of our customers.

	Year ended December 31				Change	
	2014 *(As Reported)*	**% of total**	**2015** *(As Reported)*	**% of total**		
Revenue		(In € thousands)			amount	%
Italy	*21,223*	*5.9%*	*26,555*	*6.1%*	5,332	*25.1%*
Rest of Europe	*94,297*	*26.0%*	*103,303*	*23.8%*	9,007	*9.6%*
Europe	115,520	*31.9%*	129,858	*29.9%*	14,338	12.4%
USA	149,536	*41.3%*	188,798	*43.4%*	39,262	26.3%
Asia	28,137	*7.8%*	38,573	*8.9%*	10,436	37.1%
Rest of World	68,941	*19.0%*	77,613	*17.8%*	8,672	12.6%
Total	**362,133**	**100.0%**	**434,842**	**100.0%**	**72,708**	**20.1%**

Italy
Sales in the domestic (Italian) market rose 25.1% in 2015 compared to the same period of 2014.
Both diffusion brands and luxury brands had double-digit growth, led by Guess, Swarovski and our house brand Web for the diffusion brands, and Tom Ford, Dsquared and Montblanc for luxury brands.

Rest of Europe
Revenue from the rest-of-Europe market, totaling €103.3 million, grew 9.6% compared to the same period of 2014.
In this area, revenue has been positively impacted by the direct control of sales through newly created subsidiaries and the direct control of Viva product sales that had previously been conducted by distributors.
Luxury brands growth was 7.9% due to Tom Ford strong contribution while diffusion brands growth was 11.3% mainly driven by Swarovski, Timberland and Web.
The prescription frame segment growth, totaling +20.6%, was partially offset by the slowdown of sales in the sunglass segment (-2%).
The market was characterized by a general slow economy growth and was heavily impacted by the recent Viva/ Marcolin sales force integration in France, offset by positive sales in other countries, mostly UK, Spain, Portugal, Benelux, and the new Russian and Nordic subsidiaries.

North America
In the U.S. market, revenues grew by 26.3%, also impacted by the positive exchange rate fluctuation.
Net sales increased by 6.4% at constant exchange rates; positive performance both of luxury brands (+48.2%), and diffusion brand (+17%) fostered by greater consumer confidence and an improved U.S. economy, was offset by some

issues faced in the new distribution center resulting from the move from Arizona to New Jersey. Those issues have been resolved, resulting in good performances starting from July 2015.
The American market raised its share to 43.4% of the total Group sales, and it represents the Group's main market.
Retail department stores and independent opticians are the most important sales channels in the U.S. market and revenues from both channels grew from one period to the previous.

Asia
The Asian Far East market experienced high double-digit growth of +37.1%.
This result is attributable both to fashion brands (+38.8%) and to diffusion brands (+32.1%); the most vivid market are the Chinese one (also thank to the new established Chinese joint venture), and South Korea. In particular, revenue from luxury sunglasses had the best performance, growing by 40.1% from the previous year.

Rest of World
From a geographical standpoint, "Rest of the World" includes the Middle East, Central and South America, Africa and Oceania. The revenue produced in this market rose by 13.7%, or 11% at constant exchange rates, in the year ended December 31, 2015, totaling €77.6 million.
The largest increases came from the Middle East and Central America.
In this area revenue growth was driven more by diffusion brands (+11%), than by luxury brands (+0.4%).

4. Cost of sales

The cost of sales amounted to €179.0 million for the twelve months ended December 31, 2015, an increase of €33.6 million, or 23.1%, from the €145.4 million for the twelve months ended December 31, 2014. The cost of sales as a percentage of revenue is 41.2% for the twelve months ended December 31, 2015 compared to 40.1% for the twelve months ended December 31, 2014.

The December 2015 gross profit is €30.2 million higher than that of the previous year, growing from €216.8 million (or 59.9%) up to €255.9 million (or 58.8%) in 2015.

The percentage of gross margin is driven by i) the strengthening of US dollar whose impact was proportionally higher in cost of sales rather than revenues, ii) the increase of prices for certain product lines to reposition specific market segments, started during the second half of the year, whose effect was not significant in terms of increase on gross margin at year end.
The negative effect on the percentage of gross margin was partially offset by i) a favorable Brand Mix effect (mainly due to the introduction of the new luxury brands Pucci, and Zegna) and ii) an increase in volumes which enabled a greater absorption of fixed costs.

The following table sets forth an analysis of the cost of sales for the periods indicated:

	Year ended December 31				**Change**	
	2014 *(As reported)*	**% of revenue**	**2015** *(As reported)*	**% of revenue**		
	(In € thousands, except percentages)				(amount)	%
Material and finished products	100,271	27.7%	128,568	29.6%	28,298	28.2%
Personnel expenses	19,480	5.4%	20,246	4.7%	766	3.9%
Outsourcing	10,478	2.9%	11,773	2.7%	1,295	12.4%
Other expenses	15,132	4.2%	18,394	4.2%	3,262	21.6%
Total	**145,360**	**40.1%**	**178,981**	**41.2%**	**33,621**	**23.1%**

The increase in the cost of sales is attributable to the combined effect of the following changes:

- *Materials and finished products,* for the twelve months ended December 31, 2015, amounted to €128.6 million, an increase of 28.2% from the €100.3 million for the twelve months ended December 31, 2014. The cost as a percentage of revenue is 29.6%, compared to 27.7% for 2014, due to the reasons mentioned regarding the dilution of the percentage of gross margin above.
- *Personnel expenses* relating to production amounted to €20.2 million in 2015, up by 3.9% from the €19.5 million of 2014. Compared to the 5.4% for 2014, in 2015 such expense as a percentage of revenue is 4.7%, indicating improved efficiency in this area, thanks to the synergies realized.

- *Outsourcing* amounted to €11.8 million in 2015, an increase of €1.3 million, or 12.4%, from the €10.5 million for 2014. In 2015 the cost as a percentage of revenue is 2.7%, compared to the 2.9% for 2014.
- *Other expenses* amounted to €18.4 million in 2015, an increase of €3.3 million (or 21.6%) from the €15.1 million of 2014. The expenses are 4.2% of revenue in both periods. The 2015 increase is due to higher production costs which grew consistently with the revenue rise.

5. Selling and marketing costs

Selling and marketing costs amounted to €199.5 million for the twelve months ended December 31, 2015, an increase of €30.2 million, or 17.9%, from the €169.3 million for the twelve months ended December 31, 2014.
In 2015 Selling and marketing costs as a percentage of revenue is 45.9%, compared to 46.7% of 2014.

The following table sets forth an analysis of selling and marketing costs for the periods indicated.

	Year ended December 31				Change	
	2014 *(As Reported)*	**% of revenue**	**2015** *(As Reported)*	**% of revenue**		
	(In € thousands, except percentages)				(amount)	%
Royalties	44,391	12.3%	53,616	12.3%	9,225	20.8%
Of which VRA	*38,063*	10.5%	*45,492*	10.5%	7,429	*19.5%*
Of which MAG	*6,328*	1.7%	*8,124*	1.9%	1,796	*28.4%*
Personnel Expenses	68,983	19.0%	73,809	17.0%	4,826	7.0%
Advertising and PR	23,845	6.6%	31,318	7.2%	7,472	31.3%
Other costs	32,030	8.8%	40,855	9.4%	8,825	27.6%
Total	**169,250**	**46.7%**	**199,598**	**45.9%**	**30,348**	**17.9%**

The €30.2 million increase in selling and marketing costs is primarily attributable to the combination of the following changes:

- *Royalties* in 2015 amounted to €53.6 million, an increase of 20.8%, from the €44.4 million for the twelve months ended December 31, 2014. In 2015 royalties as a percentage of revenue is 12.3%, same percentage as 2014.
- *Personnel expenses* relating to selling and marketing in 2015 amounted to €73.8 million, up by €4.8 million (or 7.0%) from the €69.0 million of 2014. The expenses as a percentage of revenue are 17.0% for the twelve months ended December 31, 2015, compared to the 19.0% of 2014. Also these costs were largely affected by foreign exchange differences; excluding this effect, they are €68.9 million (15.8% of revenues).
  In addition, the costs referring to agents, which grew in proportion to the sales growth, are affected by non-recurring costs of €2.0 million in 2014 and €0.8 million in 2015 (included in the calculation of Adjusted Ebitda). Excluding such non-recurring costs, personnel expenses are 18.5% of revenues in 2014, and 16.8% of revenue in 2015.
- *Advertising and PR* in 2015 amounted to €31.3 million, an increase of €7.5 million, or 31.3%, from the €23.8 million for the same period of 2014, due to costs incurred for additional advertising and public relations activities, in addition to greater corporate advertising investments and house brand advertising. As a percentage of revenue, the 2015 expenses are 7.2%, compared to the 6.6% of 2014.
- *Other costs* refer principally to freight expenses, business travel, rent and services. In 2015, other costs amounted to €40.8 million, an increase of €8.8 million, or 27.2%, from the €32.0 million for the twelve months ended December 31, 2014. As a percentage of revenue they are 9.4% , compared to 8.8% for the twelve months ended December 31, 2014. These costs were largely affected by foreign exchange differences; excluding this effect, they are €37.5 million (8.6% of revenues).
  In addition, the distribution costs are affected by non-recurring costs of €5.1 million in 2014 and €1.6 million in 2015 (one-offs included in the calculation of Adjusted Ebitda). Excluding such non-recurring costs, other costs are 7.4% of revenues in 2014, and 9.0% of revenue in 2015.

6. General and administrative expenses

General and administrative expenses amounted to €32.1 million for the twelve months ended December 31, 2015, with an increase of €0.4 million (or 1.3%), from the €31.7 million for the same period of 2014.
As a percentage of revenue, in 2015 general and administrative expenses is 7.4%, compared to 8.8% for 2014. These

costs were largely affected by the foreign exchange rate difference and excluding this effect they would be €30.2 million or 6.9% of revenues.

In addition, the costs are affected by non-recurring costs of €3.7 million in 2014 and €3.3 million in 2015, also included in the calculation of Adjusted Ebitda. Excluding such one-offs, general and administrative expenses is respectively € 28.0 million (or 7.7% of revenues) in 2014, compared to €28.8 million in the same period of 2015 (or 6.6% of revenues).
The lower percentage of revenues resulting is the outcome of successful actions taken by the Group to improve efficiency and contain costs; the synergies realized were more evident in the second part of the year, after the Arizona plant was closed down.

7. Other operating income and expenses

Other operating income and expenses resulted in net income of €3.6 million for the twelve months ended December 31, 2015, compared to the net operating income of €4.1 million for the twelve months ended December 31, 2014.
As a percentage of revenue, in 2015 other operating income and expenses is 0.8%, compared to 1.1% for 2014.
In both periods the other operating income primarily relates to prior period adjustments, refunded transport costs, refunded costs of advertising materials, insurance refunds, compensation for damages regarding product returns, and other income and expenses.

8. Net finance costs

Net finance costs amounted to €20.5 million for the twelve months ended December 31, 2015, compared to 12.8 million for the twelve months ended December 31, 2014.

Both in 2015 and in 2014 this item was affected primarily by interest on the bond notes issued by Marcolin S.p.A., in addition to bank interest expense incurred by Marcolin and its subsidiaries, other finance costs regarding actualization and translation differences and financial discounts, nearly entirely attributable to subsidiaries.
The change in respect to previous year is mostly due to exchange rate differences, in particular explained by a higher unrealized net result on currency related to US dollars accrued in 2014, in addition to unrealized losses due to the devaluation of currency Brazilian real incurred in 2015.

9. Income tax expense

The estimated income tax expense amounted to €10.1 million for the twelve months ended December 31, 2015, an increase of €3.4 million, compared to the €6.7 million for twelve months ended December 31, 2014.
Income tax expense as a percentage of revenue is 2.3% for the twelve months ended December 31, 2015, compared to 1.8% for the twelve months ended December 31, 2014.
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.
Most of the income tax expense will not be a cash-out figure since the Group will use previous tax losses carried forward.

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10. Working Capital

The table below sets forth a summary of the movements in the Group's Working capital, as derived from our consolidated Cash flow statements for the periods indicated.

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
(Increase)/decrease in trade receivables	(8,557)	(7,068)
(Increase)/decrease in other receivables	438	(4,894)
(Increase)/decrease in inventories	(29,404)	(19,115)
Increase/(decrease) in trade payables	33,221	24,063
Increase/(decrease) in other liabilities	3,107	5,016
Increase/(decrease) in current tax liabilities	(151)	(3,741)
(Use) of provision	(2,463)	(2,884)
Movements in working capital	**(3,809)**	**(8,624)**

- Trade receivables at the end of December 2015 were higher than in the previous year due to the increased sales for 2015 in respect to the same period of 2014. Credit quality has improved during the year positively influenced by the activities undertaken by the management for the recovery of past due. It is therefore improved compared to the previous year. Moreover, in 2015 the improvement of DSO trend (days sales outstanding) that was seen in previous years to slow down, has resumed the march towards a concrete improvement of 3 days. Moreover, in Q4 2015, the management has launched a specific project with the aim of reducing the amount of the past due receivables and to the improvement of the collection terms.

- The increase in closing inventories is attributable to an increase in finished product inventories and semi-finished goods. In comparison with the previous year, the inventory increase is also attributable to the foreign exchange rate difference for €4.2 million and the discontinuity represented by products with new brands, Zegna and Pucci, for about €6.7 million, by the additional inventory for the new joint ventures of €2.9 million, and by the increase in collections offered and models produced. In 2015 the total "days on inventory" (DOI), including raw materials, work in process and finished goods, has been 124 days, that is improving 2 days in respect to 2014 year end. Finally, the management for 2016 has planned specific actions to considerably reducing the days on inventory days.

- The increase in trade payables is primarily attributable to the turnover increase. In addition, the Group's days payables outstanding (DPO) at December 31, 2015 has significantly improved compared to last year due to the successful actions taken by the Group to improve payment terms.

11. Capital Expenditures

Our capital expenditures over the period covered by this analysis primarily consisted in:

- the investment in the new Fortogna plant aimed to increase the internal manufacturing capacity of Made in Italy products (property, plant and equipment);
- the maintenance, replacement and modernization of our production and logistics facilities (plant, machinery and equipment);
- investments in extending/improving terms and conditions of existing licenses (intangibles).

The following table sets forth our capital expenditures for the periods indicated as derived from our cash flow statement.

	Year ended December 31	
	2014	**2015**
	(As reported)	*(As reported)*
	(In € thousands)	
Property, plant and equipment [(a)]	5,101	7,085
Intangible assets[(b)]	7,353	16,095
Total capital expenditure	**12,454**	**23,180**

(a) Investment of €7.1 million in Property, plant and equipment mainly related to new asset purchase, specifically €2.9 million in lands and buildings to purchase the manufacturing plant in Fortogna; €2.8 million in industrial and commercial equipment; €1.1 million in hardware and office fixture and €0.3 million in other tangible assets.

(b) Investment of €16.1 million in intangible assets mainly related to the lump sum agreed by the Parent Company for some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, intangible assets under formation include the U.S. Subsidiary and Parent Company's software and business application implementation totaling €3.6 million.

12. Liquidity (Cash and cash equivalents)

At the end of December 31, 2015 the Cash and cash equivalents increased from December 31, 2014 of about €3.4 million.
The changes in the Group's cash position as compared to December 30, 2014 are presented in the Cash Flow Statement below.

* * * * *

13. Cash Flow Statement

The following table sets forth our consolidated Cash flow statement for the periods indicated.

	As of December 31,	As of December 31,
	2014	2015
	(As reported)	*(As reported)*
	(In € thousands)	
Operating activities		
Profit before income tax expense	7,102	7,569
Depreciation, amortization and impairment	8,611	10,954
Accruals to provisions and interests expenses	(4,978)	19,429
Cash flows from operating activities before changes in working capital and tax and interest paid	**10,735**	**37,951**
Movements in working capital	(3,809)	(8,624)
Income taxes paid	(3,500)	1,277
Net cash flows from operating activities (13.a)	**3,427**	**30,605**
Investing activities		
Purchase of property, plant and equipment	(6,179)	(7,153)
Proceeds from the sale of property, plant and equipment	1,077	68
(Purchase)/Proceeds of intangible assets	(7,353)	(16,095)
Acquisition of investments	-	-
Net cash (used in) investing activities (13.b)	**(12,454)**	**(23,180)**
Adjustments to other non-cash items	**(4,583)**	**(4,723)**
Financing activities		
Net proceeds from/(repayments of) borrowings	26,130	17,648
Interest paid	(17,858)	(19,043)
Other cash flows from financing activities	-	817
Capital contribution payment	-	-
Net cash from/(used in) financing activities (13.c)	**26,130**	**(578)**
Net increase/(decrease) in cash and cash equivalents	**(5,338)**	**2,124**
Effect of foreign exchange rate changes	3,736	1,325
Cash and cash equivalents at beginning of period	**38,536**	**36,932**
Cash and cash equivalents at end of period	**36,932**	**40,382**

13.a Net cash flows from operating activities

Net Cash flows from operating activities generates €30.6 million for the twelve months ended December 31, 2015 respect €3.4 million for the twelve months ended December 31, 2015.

The working capital cash absorption shown in 2015 of €8.6 million is primarily attributable to the increase of the group turnover, as explained in "11. Working capital".

13.b. Net cash flows used in investing activities

Net cash flows used in investing activities amounted to €23.2 million for the twelve months ended December 31, 2015, compared to €12.5 million for the same period of previous year.

Investing activities for the twelve months ended December 31, 2015 primarily related to:
- Investment of €7.1 million in Property, plant and equipment related to new asset purchase, specifically:
- €2.9 million in lands and buildings to purchase the manufacturing plant in Fortogna;
- €2.8 million in industrial and commercial equipment;
- €1.1 million in hardware and office fixture;
- €0.3 million in other tangible assets;
- Investment of €16.1 million in intangible assets mainly related to the lump sum agreed by the Parent Company for some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, intangible assets under formation include the U.S. Subsidiary and the Parent Company's software and business application implementation totaling €3.6 million.

13.c. Net cash flows from/used in financing activities

Net cash flows from financing activities amounted to €-0.6 million for the twelve months ended December 31, 2015, consisting of €17.6 million net drawings of borrowings, and €17 million of Bond expenses paid in May and November, in addition to Bank net interest paid, and financial discounts (in particular for the U.S. Subsidiary).

14. Capital Resources

As of December 31, 2015, our total gross financial debt was €258.9 million (as of December 31, 2014 it was €240.5 million).

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 €200 million, and 8.5% interest (paid semiannually).
The other components of total financial debt relate primarily to current financial liabilities, including bank payables and the revolving credit facility for €25.0 million that was fully drawn at the end of December 31, 2015.

The Company was granted a medium/long-term credit amortizing line to cover medium/long-term financial requirements associated with investments in joint-ventures in China and Russia, which have been drawn on at the end of 2014. This credit line is for €5.0 million, 50% of which backed with an irrevocable guarantee from SACE S.p.A., granted specifically to fund Italian companies that invest in projects aimed to make their businesses more international, whether directly or indirectly.
Additional medium-long term amortizing financing, committed and unsecured, has been agreed upon between the Parent Company and another important Bank and drawn in March for €3.0 million, with the purpose of supporting the Fortogna project (building acquisition).
The financing of the Fortogna project was also impacted by an additional medium-long term amortizing financing, signed between the Parent Company and another important local Bank and drawn in September for €1.5 million, and by a finance lease of some €1.5 million, related to the acquisition of new machinery and equipment for the refurbishment of the new Acetato plant.

The bank credit in the form of a bill discounting facility used in the ordinary course of business shown as of December 2015 is almost in line with the figure at the end of December 2014, while the financial facility (partially drawn also by U.S. Subsidiary) is increasing by previous year.

Finally, financial liabilities also include an amount of US$3.0 million due to HVHC, Inc. Group, (the FY 2014 amount was US$5.0 million, of which US$2 million paid on 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.

15. Other information/Quantitative and Qualitative Disclosures about Market Risk

As of December 31, 2015, there were no material changes in the risk factors disclosed in our report as of December 31, 2014.