MARCOLIN BOND REPORT

AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

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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This report as of and for the three months ended March 31, 2016 should be read in conjunction with the Annual Report for the year ended December 31, 2015. This report focuses on the material changes in our results of operations and financial position from those disclosed in the report for the year ended December 31, 2015.

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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 25 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 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. The integration was fully concluded in 2015.

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.

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, 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 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.

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II. PRESENTATION OF FINANCIAL INFORMATION

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

III. Summary Consolidated information as of and for the three months ended March 31, 2016;

IV. Management's discussion and analysis of financial condition and results of operations as of and for the three months ended March 31, 2016;

APPENDIX. Other Consolidated Financial Information as of and for the twelve months ended March 31, 2016.

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 three months ended March 31, 2016 are derived from the unaudited interim condensed consolidated financial statements of the Marcolin Group as of and for the three months ended March 31, 2016.

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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III. SUMMARY CONSOLIDATED INFORMATION

1. Summary Financial Information

(In € thousands)	For the three months ended March 31, 2015 *(As reported)*	For the three months ended March 31, 2016 *(As reported)*
EBITDA	9,038	14,288
Adjusted EBITDA	15,213	15,158
Adjusted EBITDA margin[a]	13.2%	12.4%
Capital expenditures[b]	2,990	3,818
Net indebtedness[c]	220,244	231,524
Movements in working capital[d]	(27,697)	(21,416)

(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

(In € thousands)	For the three months ended March 31, 2015 *(As reported)*	For the three months ended March 31, 2016 *(As reported)*
Revenue	114,902	122,340
Cost of sales	(46,614)	(50,325)
Gross profit	**68,289**	**72,015**
Selling and marketing costs	(53,367)	(52,976)
General and administrative expenses	(9,869)	(8,330)
Other operating income and expenses	910	242
Effects of accounting for associates	-	-
Operating profit	**5,962**	**10,950**
Net finance costs	1,429	(7,117)
Profit before taxes	**7,391**	**3,833**
Income tax expense	(3,165)	(651)
Net profit for the period	**4,226**	**3,183**

Net sales are up by 6.5% from 2015. The increase in the revenues at previous year exchange rates is 6.8%.

Reported operating profit was affected by a number of extraordinary items both for the three-month period ended March 31, 2015 and, to a minor extent, for the three-month period ended March 31, 2016.

Excluding the effects of the transactions described above, the 2016 normalized ("adjusted") Ebitda is euro 15.2 million (12.4% of sales), the same amount of 2015 adjusted EBITDA , 15.2 million (13.2% 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

(In € thousands)	As of December 31, 2015 *(As reported)*	As of March 31, 2016 *(As reported)*
Property, plant and equipment	27,258	26,474
Intangible assets	43,308	44,301
Goodwill [(a)]	288,225	283,683
Inventories	120,214	122,234
Trade receivables	85,115	97,404
Cash and cash equivalents	40,382	25,744
Other current and non-current assets	62,741	57,453
Total assets	**667,244**	**657,294**
Long-term borrowings	200,626	199,890
Short-term borrowings	58,226	61,822
Trade payables	120,787	113,152
Other long-term and short-term liabilities	57,682	54,812
Total liabilities	**437,321**	**429,676**
Total equity	**229,923**	**227,618**
Total liabilities and equity	**667,244**	**657,294**

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

4. Summary Consolidated Cash Flow Statement Information

(In € thousands)	For the three months ended March 31, 2015 *(As reported)*	2016 *(As reported)*
Net cash from operating activities	(17,430)	(9,543)
Net cash (used in) investing activities	(2,990)	(3,818)
Net cash from/(used in) financing activities[(a)]	8,870	(1,392)
Effect of foreign exchange rates and other non-cash items	2,045	115
Net increase/(decrease) of cash and cash equivalents	**(9,506)**	**(14,637)**

(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.

(In € thousands)	For the three months ended March 31, 2015 *(As reported)*	2016 *(As reported)*
Net profit for the period	**4,226**	**3,183**
Income tax expense	3,165	651
Net finance costs	(1,429)	7,117
Amortization and depreciation	2,871	3,142
Bad debt provision	204	197
EBITDA	**9,038**	**14,288**

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, as explained in Marcolin Bond Report as of and for the year ended December 31, 2015.
"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.

	For the three months ended March 31,	
	2015	**2016**
(In € thousands)	*(As reported)*	*(As reported)*
EBITDA	**9,038**	**14,288**
Ordinary costs of discontinued Arizona operations[a]	2,097	-
Pro-Forma EBITDA	**11,135**	**14,288**
Costs related to VIVA integration[b]	3,995	-
Senior management changes[c]	-	870
Other[d]	83	-
Adjusted EBITDA	**15,213**	**15,158**

[a] The Ordinary costs of the discontinued Arizona operation refer mainly to ordinary personnel costs and other operating expenses of the discontinued Arizona plant closed down at the end of the first quarter.
[b] Costs related to Viva integration project were incurred in 2015 for the integration process of Viva.
[c] *Senior management changes* relate to non-recurring employment termination expenses incurred in connection with the change in top management.
[d] Other relates to non-recurring 2015 expenses.

Capital expenditure

	For the three months ended March 31,	
	2015	**2016**
(In € thousands)	*(As reported)*	*(As reported)*
Property, plant and equipment [a]	2,347	529
Intangible assets[b]	643	3,289
Total capital expenditure	**2,990**	**3,818**

[a] Investment of €0.5 million in Property, plant and equipment mainly related to maintenance, replacement and modernization of our production and logistics facilities (plant, machinery and equipment);
[b] Investment of €3.3 million in intangible assets mainly related to the lump sum agreed with some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, for the amount of €0.7 million intangible assets include the U.S. Subsidiary and Parent Company's software and business application implementation.

Net Indebtedness

(In € thousands)	**As of December 31, 2015**	**As of March 31, 2016**
	(As reported)	*(As reported)*
Cash and cash equivalents	(40,382)	(25,744)
Financial receivables	(5,483)	(4,444)
Long-term borrowings	200,626	199,890
Short-term borrowings	58,226	61,822
Net indebtedness	**212,988**	**231,524**

Movements in working capital

	For the three months ended March 31,	
	2015	2016
(In € thousands)	*(As reported)*	*(As reported)*
(Increase)/decrease in trade receivables	(22,051)	(14,837)
(Increase)/decrease in other receivables	(1,490)	(599)
(Increase)/decrease in inventories	(9,397)	(1,004)
Increase/(decrease) in trade payables	86	(6,019)
Increase/(decrease) in other liabilities	6,203	770
Increase/(decrease) in current tax liabilities	(24)	573
(Use) of provision	(1,024)	(300)
Movements in working capital	**(27,697)**	**(21,416)**

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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 "II. Presentation of Financial Information" and "III. 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 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.

Overall Italian eyewear production grew by 12.5% in 2015 due to the performance of both exports and the domestic market.
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.
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.
At the end of 2015 downside risks emerged relating to the continuing slowdown in major emerging market economies, a direct consequence of the geopolitical tensions currently present in some Middle Eastern countries.
2016 began in a climate of financial market turbulence, as demonstrated by falling major stock market indexes, raw material prices (including oil) and euro exchange rates.
This scenario makes 2016 all the more challenging, although some data confirms favorable trends in the euro zone, one of the eyewear industry's main markets.
China's economy is slowing down, but less than the economies of Brazil, Russia and India.
The pace of recovery in Italy will be impacted by this scenario; however exports are performing well and will continue to be sustained by euro zone markets in 2016. Domestic demand in Italy is recovering, being driven by consumer spending. In fact, domestic orders have increased considerably. Given the structural characteristics of the eyewear industry, inclined toward exports, and the renewed momentum in the domestic market, it is possible to view 2016 with modest enthusiasm.
(*source: ANFAO*)

For Marcolin, after years dedicated to repositioning, reorganization and above all development activities, and the initiatives undertaken in 2015, the current year will bring consolidation and additional growth thanks to the unfolding of the benefits of the successful initiatives, including Viva integration, which was effectively completed in the past year.

In keeping with the above-described scenario, the three months ended March 31, 2016 results indicate a positive trend for the Marcolin Group, which continues to pursue its growth targets; in particular the revenue for the three months ended March 31, 2016 has grown by about 6.5% compared to that of the same period of 2015, higher than the trend shown in the industry.

2. Licensing agreements

Licenses – key facts for the three months ended March 31, 2016

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 Ramage (till 2017).

Licensing events occurred during 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.

3. Commercial and Distribution

In 2016, commercial and distribution activities will significantly benefit from important investments 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.

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.

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 included also 3 joint ventures:

China
In order to manage distribution directly in mainland China set up with the Gin Hong Yu International Co. Ltd group.

Russia
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 in the Russian market.

Nordic

In Europe, an affiliate was started up in Frösundaviks (Stockholm), Sweden, 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.

4. Production

In 2016, production activities will significantly benefit from Fortogna building purchased in January 2015 and re-qualified in record time (start producing in May 2015). The new palnt allowed Marcolin to double its Italian manufacturing operation with a new 3,500 square meter factory in Longarone (Fortogna locality), close to its historic headquarters, also benefitting employment levels by dedicating important resources to production.
Important achievements came from the consolidation and development of Marcolin's production capacity in Italy, main advantages are:

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

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

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Group Comparison of three months ended March 31, 2015 against three months ended March 31, 2016

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 three months ended March 31, 2016 are derived from the unaudited interim condensed consolidated financial statements of the Marcolin Group as of and for the three months ended March 31, 2016.

(In € thousands)	For the three months ended March 31, 2015 (As Reported)	% of revenue	2016 (As Reported)	% of revenue
Revenue	114,902	100.0%	122,340	100.0%
Cost of sales	(46,614)	-40.6%	(50,325)	-41.1%
Gross profit	**68,289**	**59.4%**	**72,015**	**58.9%**
Selling and marketing costs	(53,367)	-46.4%	(52,976)	-43.3%
General and administrative expenses	(9,869)	-8.6%	(8,330)	-6.8%
Other operating income and expenses	910	0.8%	242	0.2%
Effects of accounting for associates	-	0.0%	-	0.0%
Operating profit	**5,962**	**5.2%**	**10,950**	**9.0%**
Net finance costs	1,429	1.2%	(7,117)	-5.8%
Profit before taxes	**7,391**	**6.4%**	**3,833**	**3.1%**
Income tax expense	(3,165)	-2.8%	(651)	-0.5%
Net profit for the period	**4,226**	**3.7%**	**3,183**	**2.6%**

2. Revenues 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[1].

(In € thousands)	For the three months ended March 31, 2015	% of total	2016	% of total	Change amount	%
Revenue by brand type						
Luxury brands	53,575	46.6%	61,134	50.0%	7,559	*14.1%*
Diffusion brands	61,327	53.4%	61,206	50.0%	(122)	*-0.2%*
Total	**114,902**	**100.0%**	**122,340**	**100.0%**	**7,437**	**6.5%**

(In € thousands)	For the three months ended March 31, 2015	% of total	2016	% of total	Change amount	%
Revenue by product type						
Sunglasses	60,763	52.9%	62,643	51.2%	1,879	*3.1%*
Prescription frames	54,139	47.1%	59,697	48.8%	5,558	*10.3%*
Total	**114,902**	**100.0%**	**122,340**	**100.0%**	**7,437**	**6.5%**

Revenue amounted to €122.3 million for the first quarter ended March 31, 2016, an increase of €7.4 million, or 6.5%, from the €114.9 million for the first quarter ended March 31, 2015.
At previous period exchange rates, the revenue for the three months ended March 31, 2016 was €122.7 million, up by €7.8 million, or 6.8%, from the same period of the previous year.

1 Due to the need to present homogeneous data for the two years, the 2015 figures have been restated in order to have a "like-for-like" perimeter. Consequently, the 2015 figures below have been reclassified with respect to the breakdown by country in order to have comparable data.

Overall, approximately 4.0 million frames were sold in the three months of 2016, substantially in line with the first three months of 2015.
Luxury brand frames had a large increase both in terms of value (+14.1%) and in quantities (+21.2%), confirming the success of the strategy that focuses on this particular product.

Brand Type
Diffusion brand revenue decreased by -0.2% for the three months of 2016 compared to the same period of the previous year, while the luxury brand revenue grew by +14.1%. At constant exchange rates, diffusion brand sales are -0.1% lower than those of the same period of 2015, while the luxury brand sales increased by a significant 14.7%, in particular: Tom Ford +23.2% and Balenciaga +20.2%. Also the newly acquired Emilio Pucci contributes to the growth.
Regarding diffusion brand revenues, the decrease is mainly driven by U.S. market, where these brands are mainly sold, due to a general slowdown of the U.S. retail market. However, a positive trend is performed by Gant +50%, thanks to the new agreement signed with one of the most important retailer at the end of 2015, and Swarovski +47%, that confirms the positive trend performed in the last few years through all the markets.

Product Type
The revenue increase for sunglasses was +3.1% and the one of prescription frames was +10.3%, both increases being mostly driven by luxury brands.
At constant exchange rates, revenues from prescription frames grew +10.4% compared to those of the same period of 2015, while revenues of sunglasses are up by +3.0 %.

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.

(In € thousands)	For the three months ended March 31, 2015	% of total	2016	% of total	Change amount	%
Revenue						
Italy	*5,711*	*5.0%*	*7,248*	*5.9%*	1,537	*26.9%*
Rest of Europe	*28,345*	*24.7%*	*33,006*	*27.0%*	4,661	*16.4%*
Europe	34,056	*29.6%*	40,255	*32.9%*	6,198	18.2%
USA	52,189	*45.4%*	49,500	*40.5%*	(2,689)	-5.2%
Asia	9,885	*8.6%*	11,393	*9.3%*	1,507	15.2%
Rest of World	18,771	*16.3%*	21,192	*17.3%*	2,421	12.9%
Total	**114,902**	**100.0%**	**122,340**	**100.0%**	**7,436**	**6.5%**

Italy
Sales in the domestic (Italian) market rose by +26.9% in 2016 compared to the same period of 2015.
Both diffusion brands and luxury brands had double-digit growth, led by Timberland and Swarovski for the diffusion brands, and Tom Ford and Dsquared for luxury brands.

Rest of Europe
Revenues from the Rest of Europe market, recorded at euro 33.0 million, grew by +16.4% compared to the same period of 2015.
Luxury brands growth was +22.5% due to Tom Ford strong contribution, while diffusion brands growth was +10.4% mainly driven by Gant, Swarovski and Web.
The prescription frame segment growth was +25.2%, while the sunglasses one increased by +10.8%.
In this area, revenue has been positively impacted by the direct control of sales from the new fully operative subsidiaries Nordic and Russia, where this last one has a positive trend despite of the strong devaluation of the local currency. A positive trend is led by the other markets and in particular France, that has positive performance due to the reorganization of sales force with a further benefit after Viva integration, and Germany which, as well as the French subsidiary, has a new structure of the sales force.

North America
In the U.S. market, revenues had a decrease of -5.2%. Net sales decreased by -6.1% at constant exchange rates; positive performance for luxury brands (+3.6%), and negative ones for diffusion brand (-11.1%) mainly driven by

Candies and Guess.
The American market share is up to 40.5% of the total Group sales, and it represents the Group's main market.
Independent opticians is one of the most important sales channels in the U.S. market and its revenues grew from one period to the previous, the other is Retail Department Store that for this quarter recorded a lower net sales compared to the previous year.

Asia
The Asian Far East market experienced a double-digit growth of +15.2%.
This result is driven both by fashion brands (+17.6%), mainly due to Tom Ford and Balenciaga, and in a minor share by diffusion brands (+7.4%), mainly driven by Diesel and Swarovski; the most vivid market is South Korea. In particular, revenue from luxury sunglasses had the best performance, growing by +26.6% from the previous year.

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 quarter of 2016 revenues, recorded at euro 21.2 million, rose by +12.9%, or +15.0% at constant exchange rates, compared with previous year.
In this area revenues growth was driven by diffusion brands for +17.4% and by luxury brands for +9.7%.
The largest increase came from the Mediterranean and Africa area, while other areas had a lower increase during the first quarter of the year.

4. Cost of sales

The cost of sales amounted to €50.3 million for the three months ended March 31, 2016, an increase of €3.7 million, or 8.0%, from the €46.6 million for the three months ended March 31, 2015. The cost of sales as a percentage of revenue is 41.1% for the three months ended March 31, 2016 compared to 40.6% for the three months ended March 31, 2015.

The March 2016 gross profit is €3.7 million higher than that of the previous year, growing from €68.3 million (or 59.4%) up to €72.0 million (or 58.9%) in 2016.

The percentage of gross profit is driven by a different sales mix both in distribution channel and destination market compared to the three months ended March 31, 2015.

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

	For the three months ended March 31,					
(In € thousands)	**2015**	**% of revenue**	**2016**	**% of revenue**	**Change**	
					amount	%
Material and finishing products	41,297	35.9%	46,109	37.7%	4,812	11.7%
Personnel expenses	3,809	3.3%	2,771	2.3%	(1,038)	-27.2%
Other expenses	1,508	1.3%	1,445	1.2%	(63)	-4.2%
Total	**46,614**	**40.6%**	**50,325**	**41.1%**	**3,711**	**8.0%**

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

- *Materials and finished products,* for the three months ended March 31, 2016, amounted to €46.1 million, an increase of 11.7% from the €41.3 million for the three months ended March 31, 2015. The cost as a percentage of revenue is 37.7%, compared to 35.9% for 2015, due to the reasons mentioned regarding the dilution of the percentage of gross margin above.
- *Personnel expenses* relating to production amounted to €2.8 million in 2015, down by 27.2% from the €3.8 million of 2015. Compared to the 3.3% for 2015, in 2016 such expense as a percentage of revenue is 2.3%, indicating improved efficiency in this area, thanks to the synergies realized.
- *Other expenses* amounted to €1.4 million in 2016, a decrease of €0.1 million (or 4.2%) from the €1.5 million of 2015. The other expenses are 1.2% of revenue in 2016 compared with 1.3% in 2015.

5. Selling and marketing costs

Selling and marketing costs amounted to €53.0 million for the three months ended March 31, 2016, a decrease of €0.4 million, or 0.7%, from the €53.4 million for the three months ended March 31, 2015.
In 2016 Selling and marketing costs as a percentage of revenue is 43.3%, compared to 46.4% of 2015.

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

	For the three months ended March 31,				Change	
(In € thousands)	**2015**	**% of revenue**	**2016**	**% of revenue**	amount	%
Royalties	14,078	12.3%	14,787	12.1%	709	5.0%
Of which VRA	*12,415*	10.8%	*13,259*	10.8%	843	*6.8%*
Of which MAG	*1,663*	1.4%	*1,529*	1.2%	(134)	*-8.1%*
Personnel Expenses	21,525	18.7%	20,338	16.6%	(1,187)	-5.5%
Advertising and PR	8,576	7.5%	8,217	6.7%	(359)	-4.2%
Other costs	9,187	8.0%	9,634	7.9%	447	4.9%
Total	**53,367**	**46.4%**	**52,976**	**43.3%**	**(390)**	**-0.7%**

The €0.4 million decrease in selling and marketing costs is primarily attributable to the combination of the following changes:

- Royalties in 2016 amounted to €14.8 million, an increase of 5.0%, from the €14.1 million for the three months ended March 31, 2015. In 2016 royalties as a percentage of revenue is 12.1%, compared to the 12.3% of 2015, thanks to reduction of MAG.
- Personnel expenses relating to selling and marketing in 2016 amounted to €20.3 million, down by €1.2 million (or 5.5%) from the €21.5 million of 2015. The expenses as a percentage of revenue are 16.6% for the three months ended March 31, 2016, compared to the 18.7% of 2015. Savings respect the same period of 2015 are mainly driven by synergies and non-recurring costs of 2015. Excluding non-recurring costs, personnel expenses are 16.7% of revenues in 2015, and 16.3% of revenue in 2016.
- Advertising and PR in 2016 amounted to €8.2 million, a decrease of €0.4 million, or 4.2%, from the €8.6 million for the same period of 2015. As a percentage of revenue, the 2016 expenses are 6.7%, compared to the 7.5% of 2015.
- Other costs refer principally to freight expenses, business travel, rent and services. In 2016, other costs amounted to €9.6 million, an increase of €0.4 million or 4.9%, from the €9.2 million for the three months ended March 31, 2015 related to revenue growth. As a percentage of revenue they are 7.9% , compared to 8.0% for the three months ended March 31, 2015.

6. General and administrative expenses

General and administrative expenses amounted to €8.3 million for the three months ended March 31, 2016, with a decrease of €1.5 million (or 15.6%), from the €9.9 million for the same period of 2015.
As a percentage of revenue, in 2016 general and administrative expenses is 6.8%, compared to 8.6% for 2015.
These costs are affected by non-recurring costs of €1.6 million in 2015 and €0.3 million in 2016, also included in the calculation of Adjusted Ebitda. Excluding such one-offs, general and administrative expenses is respectively € 8.2 million (or 7.2% of revenues) in 2015, compared to €8.0 million in the same period of 2016 (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.

7. 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 €0.2 million for the

three months ended March 31, 2016, compared to the net operating income of €0.9 million for the three months ended March 31, 2015.
As a percentage of revenue, in 2016 other operating income and expenses is 0.2%, compared to 0.8% for 2015.

8. Net finance costs

Net finance costs amounted to €7.1 million for the three months ended March 31, 2016, compared to a net finance revenue of 1.4 million for the three months ended March 31, 2015.
Both in 2016 and in 2015 this item includes primarily interest on the bond notes issued by Marcolin S.p.A. for €4.3 million, bank interest expense and other financial costs and discounts incurred by Marcolin and its subsidiaries (around €2 million), in addition to translation differences.
Overall net foreign exchange rate differences of the Group are well-balanced, thanks to a natural hedging coming through a net balance in purchases and sales made in foreign currencies.
The change in respect to previous year is mostly due to favorable unrealized exchange rate differences incurred in 2015 linked to US dollars.

9. Income tax expense

The estimated income tax expense amounted to €0.7 million for the three months ended March 31, 2016, a decrease of €2.5 million, compared to the €3.2 million for three months ended March 31, 2015.
Income tax expense as a percentage of revenue is 0.5% for the three months ended March 31, 2016, compared to 2.8% for the three months ended March 31, 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. 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.

	For the three months ended March 31,	
	2015	2016
(In € thousands)	*(As reported)*	*(As reported)*
(Increase)/decrease in trade receivables	(22,051)	(14,837)
(Increase)/decrease in other receivables	(1,490)	(599)
(Increase)/decrease in inventories	(9,397)	(1,004)
Increase/(decrease) in trade payables	86	(6,019)
Increase/(decrease) in other liabilities	6,203	770
Increase/(decrease) in current tax liabilities	(24)	573
(Use) of provision	(1,024)	(300)
Movements in working capital	**(27,697)**	**(21,416)**

- Trade receivables at the end of March 2016 were higher than the same period of previous year due to the increased sales in 2016 compared 2015.
  In the first three month of 2016, we see the first results of the initiatives launched in 2015 (i.g. Just One project) on credit and client management, that made possible to reduce the Group's days sales outstanding (DSO) at March 31, 2016 by 3 days and the credit quality of 3% compared to year ended December 31, 2015.

- The increase in closing inventories is attributable to an increase in finished product inventories and semi-finished goods to support turnover growth. In 2016 the total "days on inventory" (DOI), including raw materials, work in process and finished goods went down by 3 days in respect to 2015 year end. Reduced DOI derives from actions planned by management for 2016, that will continue to drive the inventory optimization throughout the year.

- The decrease in trade payables is primarily attributable to specific payment to licensor also in connection with renewal fees and other payables due to capital expenditures paid during the first months of 2016.

11. Capital Expenditures

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

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

	For the three months ended March 31,	
	2015	2016
(In € thousands)	*(As reported)*	*(As reported)*
Property, plant and equipment [(a)]	2,347	529
Intangible assets[(b)]	643	3,289
Total capital expenditure	**2,990**	**3,818**

(a) Investment of €0.5 million in Property, plant and equipment mainly related to maintenance, replacement and modernization of our production and logistics facilities (plant, machinery and equipment);

(b) Investment of €3.3 million in intangible assets mainly related to the lump sum agreed with some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, for the amount of €0.7 million intangible assets include the U.S. Subsidiary and Parent Company's software and business application implementation.

12. Liquidity (Cash and cash equivalents)

At the end of March 31, 2016 the Cash and cash equivalents decreased from December 31, 2015 of about €14.6 million.
The changes in the Group's cash position as compared to December 31, 2015 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.

	For the three months ended March 31,	
(In € thousands)	2015 *(As reported)*	2016 *(As reported)*
Operating activities		
Profit before income tax expense	7,391	3,833
Depreciation, amortization and impairment	2,830	3,142
Accruals to provisions and interests expenses	519	4,736
Cash flows from operating activities before changes in working capital and tax and interest paid	**10,740**	**11,711**
Movements in working capital	(27,697)	(21,416)
Income taxes paid	(69)	162
Net cash flows from operating activities (13.a)	**(17,025)**	**(9,543)**
Investing activities		
Purchase of property, plant and equipment	(2,394)	(529)
Proceeds from the sale of property, plant and equipment	48	-
(Purchase)/Proceeds of intangible assets	(643)	(3,289)
Acquisition of investments	-	-
Net cash (used in) investing activities (13.b)	**(2,990)**	**(3,818)**
Adjustments to other non-cash items	**500**	**1,158**
Financing activities		
Net proceeds from/(repayments of) borrowings	8,870	(1,243)
Interest paid	(405)	(87)
Other cash flows from financing activities	-	(62)
Capital contribution payment	-	-
Net cash from/(used in) financing activities (13.c)	**8,870**	**(1,392)**
Net increase/(decrease) in cash and cash equivalents	(11,051)	(13,594)
Effect of foreign exchange rate changes	**1,545**	**(1,043)**
Cash and cash equivalents at beginning of period	36,933	40,382
Cash and cash equivalents at end of period	**27,426**	**25,745**

13.a Net cash flows from operating activities

Net Cash flows from operating activities absorbs €9.5 million for the three months ended March 31, 2016 respect €17.0 million for the three months ended March 31, 2016.

The working capital cash absorption shown in 2016 of €21.4 million, improved compared to 2015, is primarily attributable to business seasonality, as explained in "10. Working capital".

13.b. Net cash flows used in investing activities

Net cash flows used in investing activities amounted to €3.8 million for the three months ended March 31, 2016, compared to €3.0 million for the same period of previous year.

Investing activities for the three months ended March 31, 2016 primarily related to:
- Investment of €0.5 million in Property, plant and equipment mainly related to maintenance, replacement and

modernization of our production and logistics facilities (plant, machinery and equipment);

- Investment of €3.3 million in intangible assets mainly related to the lump sum agreed with some licensors in order to extend licensing agreement periods and improve terms and conditions. In addition, for the amount of €0.7 million intangible assets include the U.S. Subsidiary and Parent Company's software and business application implementation.

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

Net cash flows from financing activities amounted to €-1.4 million for the three months ended March 31, 2016, consisting mainly of €-1.2 million net repayments of borrowings.

14. Capital Resources

As of March 31, 2016, our total gross financial debt was €261.7 million (as of December 31, 2015 it was €258.9 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 March 31, 2016.

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 for €5.0 million.

Additional medium-long term amortizing financing, for €4.5 million granted during 2015 with the purpose of supporting the Fortogna project (building acquisition). In addition to a finance lease of some €1.5 million, related to the acquisition of new machinery and equipment for the new plant.

The bank credit in the form of a bill discounting facility used in the ordinary course of business shown as of March 2016 is almost in line with the figure at the end of December 2015.

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

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

As of March 31, 2016, there were no material changes in the risk factors disclosed in our report as of December 31, 2015.

APPENDIX – OTHER CONSOLIDATED FINANCIAL INFORMATION

1. Summary Pro-Forma Consolidated Financial Information for the Twelve Months Ended March 31, 2016

The summary financial information presented for the twelve months ended March 31, 2016 is calculated by taking the results of operations for the three months ended March 31, 2016, and adding to them the difference between the results of operations for the full year ended December 31, 2015 and for the three months ended March 31, 2015.

The financial information for the twelve months ended March 31, 2016 is not necessarily indicative of the results that may be expected for the year ended December 31, 2016, and should not be used as the basis for or prediction of an annualized calculation.

(in € thousands except percentages)	**As of and for twelve months ended March 31, 2016** **(pro forma)**
Pro-forma combined revenues	442,279
Pro-forma combined EBITDA	44,981
Pro-forma combined adjusted EBITDA (a)	50,151
Pro-forma combined adjusted EBITDA margin	11.3%
Consolidated cash and cash equivalents	25,744
Consolidated total financial debt	261,712
Consolidated net financial debt	231,524
Pro-forma combined cash interest expense	17,000

(a) “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, and other extraordinary items. This amount has been normalized (restated) excluding the costs of the discontinued operation regarding Arizona plant closed down, as shown in “4. Other Financial Information - Section III. Summary Consolidated Information”.

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